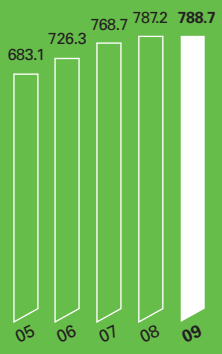
corus
ENTERTAINMENT
2009 ANNUAL REPORT

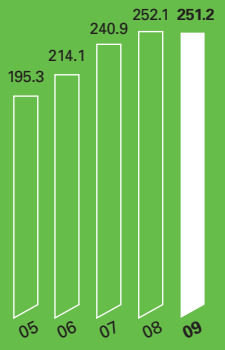
REVENUES

(in millions of Canadian dollars)



SEGMENT PROFIT

(in millions of Canadian dollars)



FINANCIAL HIGHLIGHTS

(in millions of Canadian dollars, except per share amounts)	**2009**	2008	2007	2006	2005
Revenues	**788.7**	787.2	768.7	726.3	683.1
Segment profit [1]	**251.2**	252.1	240.9	214.1	195.3
Net income (loss)	**(56.6)**	129.8	107.0	35.5	71.1
Earnings (loss) per share					
Basic	**$(0.71)**	$1.57	$1.27	$0.42	$0.83
Diluted	**$(0.71)**	$1.54	$1.23	$0.41	$0.83
Total assets	**1,874.7**	2,033.7	1,937.0	1,842.2	1,928.4
Total long-term debt	**651.8**	692.8	610.7	596.4	445.2
Cash dividends declared per share					
Class A Voting	**$0.59502**	$0.570015	$0.501250	$0.22625	$0.0325
Class B Non-Voting	**$0.60000**	$0.574995	$0.506655	$0.23250	$0.0375

[1] As defined in "Key Performance Indicators – Segment profit and segment profit margin" in management's discussion and analysis.

ACCOUNTABILITY. INITIATIVE. INNOVATION. KNOWLEDGE. TEAMWORK.

THESE ARE OUR COMPANY'S CORE VALUES. THEY HAVE HELPED DELIVER STRONG 2009 RESULTS AND HAVE ALWAYS BEEN THE FOUNDATION OF OUR SUCCESS. AS WE CELEBRATE OUR 10TH ANNIVERSARY, THE JOURNEY FROM WHERE WE STARTED TO WHERE WE ARE TODAY HAS BEEN A REMARKABLE ACHIEVEMENT, AND OUR VALUES HAVE GUIDED US EVERY STEP OF THE WAY. NOBODY CAN PREDICT WHAT THE FUTURE HOLDS, BUT AT CORUS, WE KNOW WHAT WILL CONTINUE TO LEAD US IN THE RIGHT DIRECTION. ACCOUNTABILITY. INITIATIVE. INNOVATION. KNOWLEDGE. TEAMWORK.

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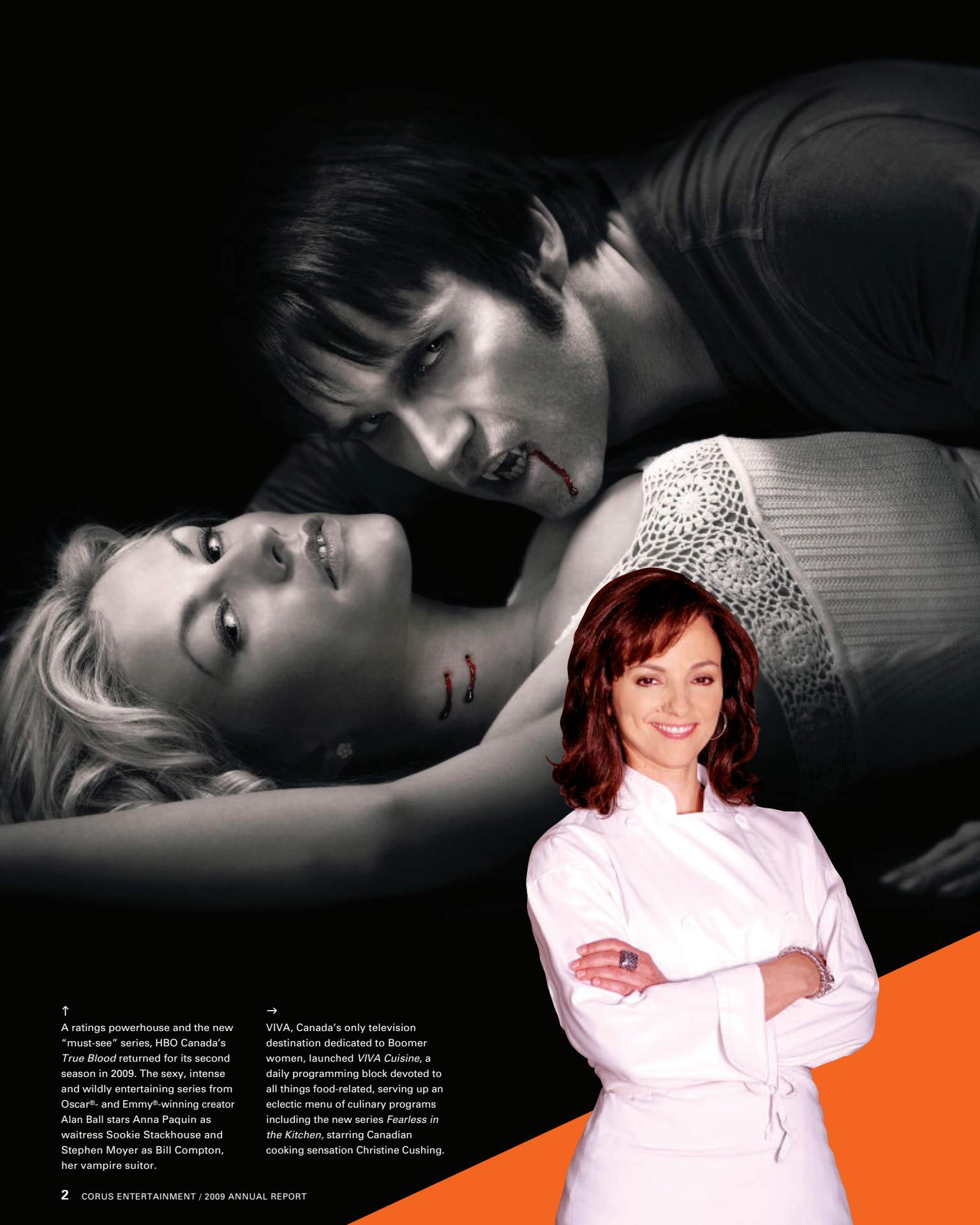


↑
A ratings powerhouse and the new "must-see" series, HBO Canada's *True Blood* returned for its second season in 2009. The sexy, intense and wildly entertaining series from Oscar®- and Emmy®-winning creator Alan Ball stars Anna Paquin as waitress Sookie Stackhouse and Stephen Moyer as Bill Compton, her vampire suitor.

→
VIVA, Canada's only television destination dedicated to Boomer women, launched *VIVA Cuisine*, a daily programming block devoted to all things food-related, serving up an eclectic menu of culinary programs including the new series *Fearless in the Kitchen*, starring Canadian cooking sensation Christine Cushing.

CORUS KNOWS WHAT AUDIENCES WANT TO SEE AND HOW THEY WANT TO SEE IT. THAT **KNOWLEDGE** HAS MADE US A LEADER IN SPECIALTY AND PAY TELEVISION.

2009 was a great year for Movie Central. High-definition programming, the convenience of on-demand service and the newly launched HBO Canada helped drive interest in pay TV and contributed to growing subscriptions in Western Canada to 953,000 households, up 7% over last year. This growth was also fuelled by exclusive HBO programming, including hit shows *True Blood* and *Big Love*; a blockbuster movie lineup; outstanding Showtime series like *Nurse Jackie* and *Californication*; and acclaimed Canadian original series such as *Durham County*.

In 2009, the newly launched VIVA joined CosmoTV and W Network, creating a portfolio that represents women of all ages and life stages, and reaches a monthly audience of 6.3 million women. The acquisition of SexTV, to be rebranded as W Movies, will extend this reach. As will the rebrand of SCREAM to DUSK, with a new focus on supernatural, thriller and suspense programming enhancing the channel's appeal to women.

Innovative programming like *Karaoke Star*, where viewers vote for the winner, helped CMT increase its female audience. W Network continued to strengthen its appeal with popular movie blocks and expert-based lifestyle programming.

These services along with Telelatino, Corus Custom Networks, three over-the-air local TV stations and the acquisition of Drive-In Classics, to be rebranded Sundance Channel, are proof that Corus knows what audiences want. It also explains why Corus channels and programs are the first choice for millions of viewers across Canada.

SPECIALTY & PAY

→ Multiple Emmy®- and Golden Globe®-winner Edie Falco made her long anticipated return to television in the new Showtime series *Nurse Jackie*. Available on Movie Central, this half-hour dark comedy stars Falco as a flawed, sharp-tongued nurse who does whatever it takes – good or bad – to get through the daily chaotic grind of life in the ER.

DUSK

Specialty channel SCREAM was rebranded as DUSK, launching on 09.09.09 with a visually dramatic new on-air look and a revamped schedule, building on the popularity of suspense and thriller-based programming among women.

Celebrity stylist Rachel Zoe from CosmoTV's *The Rachel Zoe Project*. The popular fashion series follows Zoe and her team as they jet from coast-to-coast attending runway shows, throwing charity auctions and labouring to find the perfect gowns for her A-list clients.

Blockbuster hits such as *Failure to Launch* have been the #1 driver of audience growth for W Network. With an array of movie blocks including *Double Flix* and *Triple Flix* on Saturday nights, W Network is the movie-watching destination for women.

Winner of five Canadian Gemini Awards and two Directors Guild of Canada Awards, *Durham County*, the sophisticated and cinematic series, returned to Movie Central for an unflinching second season in 2009.

TEAMWORK STRENGTHENS THE CORUS KIDS BRANDS AND INCREASES THE VALUE OF WHAT WE DO – PROVIDING KIDS WITH QUALITY CONTENT ON-AIR, ONLINE, IN STORES, IN BOOKS, AT HOME AND AROUND THE WORLD.

Corus' kids networks continue to be the top choice for Canadian kids. Together, YTV, TELETOON, TELETOON Retro, Treehouse and the recently launched Nickelodeon reach the highest combined audience for Kids 2 to 11 of any Canadian broadcaster – reaching over 98% of kids in English-speaking Canada.

With broadcast deals in over 150 countries, Corus' Nelvana is a world-leading producer and distributor of children's animated content. Producing hit shows, including the #1 preschool series in Canada *The Backyardigans*, Nelvana is currently working in partnership with Kids Can Press, a Corus company and the largest Canadian-owned publisher of children's books, on *Scaredy Squirrel*, a new show based on the hit book series of the same name, which will premiere on YTV in 2010.

In 2009, Nelvana saw phenomenal growth in merchandise licensing revenues. Bakugan, available in over 40 markets worldwide, won Overall Best Licensed Program and Best Film, Television & Entertainment Brand Licensee (Hard Goods) from The International Licensing Industry Merchandisers' Association. Bakugan also won Toy of the Year, Boy Toy of the Year and Property of the Year at The Toy Industry Association Awards.

On the international front, our partnerships in KidsCo and qubo continued to do well. With broadcast feeds now in Asia-Pacific and central and eastern Europe, and launching in western Europe, KidsCo is enjoyed in 15 languages and by more than eight million subscribers in almost 60 countries. Our U.S.-based multiplatform kids service, qubo, delights American audiences in more than 14 million homes.

Ranked the #1 digital specialty channel for Kids 2 to 11 and Teens 12 to 17, TELETOON Retro offers youth and adults the best in animated entertainment with classics such as *Scooby-Doo* and *The Bugs Bunny and Tweety Show*.

nickelodeon

↑ Through an agreement with MTV Networks International, Nickelodeon, one of the world's leading entertainment brands for kids, joins Corus' premier portfolio of kids services. Offering award-winning series and star-studded special events, kids can turn to Nick for non-stop laughs 24-7.

Based on Dan Yaccarino's hit picture book *An Octopus Followed Me Home,* Nelvana's *Willa's Wild Life* airs during YTV's *Playtime* programming block.

A continuing success story, Treehouse offers a safe and entertaining environment for preschoolers, delivering high-quality, parent-trusted series such as *OLIVIA* to over eight million Canadian homes.

→ For over 20 years, YTV has consistently catered to kids and families with popular series like the homegrown hit *The Next Star*, which garnered over one million votes to choose this year's winner.

CORUS KIDS

↓
The Penguins took over YTV's airwaves with the Canadian launch of the highly anticipated CGI-animated comedy *The Penguins of Madagascar,* produced by DreamWorks Animation SKG and Nickelodeon.

↑
For keen observation, thoughtful analysis and meaningful context, listeners tune in to *Rutherford* weekday mornings on 630 CHED and AM 770 with host Dave Rutherford.

EXPLOREMUSIC

Corus Radio launched *ExploreMusic*, an on-air and online musical discovery brand on its network of new rock stations across Canada. Hosted by Canada's new rock expert, Alan Cross, the daily show and web portal also launched on BlackBerry and Windows-based portable devices.

RADIO IS CANADA'S OLDEST ELECTRONIC BROADCAST MEDIUM, BUT THAT HASN'T STOPPED CORUS RADIO FROM PURSUING **INNOVATION** AND FINDING NEW WAYS TO REACH LISTENERS AT HOME, ON THE ROAD AND ONLINE.

In 2009, Corus Radio's 52 stations connected with approximately eight million Canadians each week. Provocative news-talk hosts such as John Oakley, Charles Adler, Paul Arcand and Bill Good helped Corus Radio deliver lively debate and in-depth local, national and global news to its listeners. At our music stations, a roster of on-air talent that includes John Derringer, Jeff O'Neil and Bruce Bowie also helped make Corus Radio a leading news and entertainment destination.

Corus Radio is connected to the communities it serves. In 2009, our radio group created "Shop Local", an initiative that used positive business stories and targeted on-air content to encourage listeners to support businesses in their communities. On our news-talk network, a series of interactive town halls provided a forum for discussing hot-button issues that reached approximately three million Canadians.

Currently, one in 20 Canadians listens to a Corus Radio station online or on a mobile device. In 2009, we extended our online reach and began delivering more content through mobile platforms. We were the first Canadian broadcaster with an iPhone streaming application and the first to offer Apple iTunes integration through our radio station websites.

We also focused on enabling listeners to download Corus Radio content through their BlackBerry devices or smartphones. In 2009, Corus Radio grew its online tuning to approximately seven million hours per month – an increase of over 50% from last year.

RADIO

A partnership with StreamTheWorld made Corus Radio the first Canadian broadcaster to feature an iPhone streaming application, giving listeners convenient access to their favourite Corus stations on their mobile device. To date, the application has had more than 160,000 Canadian downloads.

Making the switch from talk radio to an adult contemporary format, 104,7 FM (Gatineau) joined 102,9 FM (Quebec City), 98,3 FM (Saguenay), 107,7 FM (Sherbrooke) and 106,9 FM (Trois-Rivières) and adopted the Souvenirs Garantis (Guaranteed Memories) format.

Vancouver's news-talk leader CKNW AM 980 celebrated its 65th anniversary in 2009 and continues to be a market leader in ratings.

"Fearless" Fred Kennedy joined 102.1 the Edge in August 2009 as the new afternoon drive host.

DEAR SHAREHOLDERS:

THE END OF FISCAL 2009 MARKED OUR 10TH ANNIVERSARY AS A PUBLICLY TRADED COMPANY. IN SOME RESPECTS 2009 WAS OUR MOST CHALLENGING YEAR, BUT AS WE LOOK BACK IT WAS ALSO, PERHAPS, THE MOST SATISFYING.

The extraordinary culture we have created at Corus is evident in many ways. Every employee recognized that the past year was the most challenging economic year they would likely face in their careers and responded accordingly. "Don't slip back" was our commitment to each other and our shareholders. We achieved that goal. We believe that there were few media companies in North America that did not see erosion of their bottom line in fiscal 2009. Your Company did not slip back.

We are proud that we acted quickly and decisively to respond to the challenge of the economic crisis. We had an open and transparent dialogue with our employees as to what it would take to meet the standard of success we had defined for ourselves, and every employee met the challenge.

We successfully reduced our cost base, incorporating a wide range of items including wage rollbacks, hiring freezes, unpaid days off, a pension hiatus and disciplined restraint on our administrative expenses. Many of our on-air personalities voluntarily offered to accept wage reductions. Many employees in one of our unions voluntarily took salary reductions for the year to help reduce costs. Employees in another union voted to decertify. It's little wonder that Corus was recognized as one of Canada's 10 Most Admired Corporate Cultures for 2009. Corus employees are simply the best.

The past year was not, however, just a story of fiscal restraint. We also accepted an equally strong challenge to "seize the opportunity" created by the economic uncertainty to grow our business.

Among the many highlights of fiscal 2009 was the successful launch of HBO Canada which contributed to a remarkable 7% growth in our pay TV business. The integration and rebranding of Canadian Learning Television to VIVA, a channel dedicated to Boomer women, was also a success. Ratings among women were up over 150% on the VIVA brand. We consolidated our Kids business, putting our television networks and our content division together. An early benefit of this consolidation was the success of Bakugan which helped offset the cyclical downturn in children's advertising. We will build on the success of our Kids business in fiscal 2010 with the introduction of Nickelodeon. The launch of this network is the result of a long-term agreement negotiated with MTV Networks International in fiscal 2009. We also positioned ourselves for future growth with the acquisition of SexTV and Drive-In Classics. These two networks will be rebranded W Movies and Sundance Channel, respectively, and will benefit from broader distribution and a more advertising- and audience-friendly positioning. In addition, we repositioned our SCREAM channel to DUSK, capitalizing on the heightened interest in paranormal programming.

We also dedicated considerable time and attention to the planning of our new Toronto waterfront facility, Corus Quay, which will be completed in the spring of 2010. We will consolidate 10 separate locations and 1,200 employees at Corus Quay. This will enhance our productivity and prepare us technically for the digital future. Our Television and Radio operations will be able to access new distribution platforms that ensure their relevance going forward. Corus Quay will also raise the Corus brand to a new level of prominence in a highly visible, high-traffic location on the Toronto waterfront.

←
John M. Cassaday
President and
Chief Executive
Officer

Heather A. Shaw
Executive Chair

Throughout this Annual Report, you will see evidence of our fiscal strength, but here are some of the top line results:

FISCAL 2009 RESULTS

We are pleased to report that consolidated revenues for the year ended August 31, 2009, were $788.7 million, up slightly from $787.2 million last year. Consolidated segment profit was $251.2 million, essentially unchanged from $252.1 million last year. We also delivered free cash flow of $93.4 million, exceeding our free cash flow guidance of between $70 million and $90 million.

Despite these strong results, we recorded a net loss for the year of $56.6 million ($0.71 basic and diluted loss per share), compared to net income of $129.8 million ($1.57 basic and $1.54 diluted earnings per share) last year. This net loss included a $175 million broadcast license and goodwill impairment charge recorded against our Radio assets in the third quarter of 2009. In the third quarter, the economic downturn had us conclude that these assets may be impaired, and when we completed the impairment test we determined that the fair value of our Radio assets were lower than the book value. For accounting reasons, this resulted in a goodwill charge of $163.5 million and a broadcast license charge of $11.5 million for a total impairment of $175 million.

TELEVISION

Our Television division revenues for the year were $530 million, up 6% from last year, and segment profit was up 5%. While overall ad revenues for the division were down 6% for the year, our Women's ad revenues finished the year incredibly strong, up double digits. Overall, the revenues for our Women's portfolio were up more than 25%. With our pay TV business, the launch of HBO Canada drove strong Movie Central growth and we finished the year with 953,000 subscribers, resulting in a 7% growth over last year. Our Kids business also performed well this past year with a 4% growth in segment profit versus the prior year.

RADIO

Fiscal 2009 was a challenging year with revenues of $258.9 million, down 10% from the previous year and segment profit down 20%. We have tremendous confidence that the fiscal 2009 results were due to a cyclical decline in ad revenues as a result of the global economic downturn. Our Radio business enjoys strong ratings, which are proving even stronger with the switch in research methodology to Portable People Meter (PPM) ratings in most major markets in September of 2009. Over the past two years, we have reduced overhead and operational costs in our Radio division and are confident that the adjustments we have made to our cost base will position us to take full advantage of the expected economic recovery in the latter part of fiscal 2010.

Canada's 10 Most Admired Corporate Cultures™

WE ARE PLEASED TO SHARE WITH YOU THAT CORUS ENTERTAINMENT HAS BEEN NAMED ONE OF CANADA'S 10 MOST ADMIRED CORPORATE CULTURES FOR 2009.

2010 OUTLOOK

On September 29, 2009, we provided our financial guidance for 2010:

- Consolidated segment profit of between $255 million and $270 million
- Free cash flow of between $10 million and $20 million

For our Television division, we expect another strong year from our pay TV business. We have set a 2010 goal of one million subscribers. For our specialty channels, we expect continued growth on our Women's channels.

For Corus Kids, early PPM ratings data has been positive and we expect ad revenues will begin to recover on our kid-targeted ad sales, and that the adult co-viewing sales (parents watching kids television together with their children) will accelerate sharply. Our Bakugan brand remains strong in the U.S. and Canada, and we will build on this merchandising strength with the relaunch of Beyblade and Babar in fiscal 2010. We are also quite proud of the launch of our CitizenKid series of books, introduced by Kids Can Press, that encourage children to embrace philanthropy.

Lastly, for our Television division, we expect to see growth from the addition of three new exciting services, mentioned earlier, that will debut in 2010: Nickelodeon, W Movies and Sundance Channel.

As the economy begins to show signs of recovery, we are seeing positive signs for our Radio division. Our Quebec and Ontario stations are currently pacing ahead of last year. We anticipate that the turnaround in the West will lag that of Ontario and Quebec.

We would like to once again thank our employees for their contribution to our 2009 results and to the extraordinary success we have experienced in our first 10 years. Each of them has contributed to driving superior results and creating a culture which honours our Core Values. We endeavour to give our very best and to create the very best, each and every day.

We would also like to thank our Board of Directors for their continued support, guidance and wise counsel. In particular, we would like to thank two outgoing members of our Board, Pierre Béland and Cathy Roozen. Their hard work, business acumen and commitment will be missed and we thank them for the excellent contribution they have made to Corus Entertainment.

In closing, we would also like to thank you, our fellow shareholders, for your continuing support and confidence in our Company.

John M. Cassaday
President and
Chief Executive Officer

Heather A. Shaw
Executive Chair

EVERY YEAR, CORUS TAKES THE **INITIATIVE** TO SUPPORT CANADIAN TALENT THROUGH OUR DAILY PROGRAMMING, SPECIAL PROMOTIONS AND DIRECT FUNDING TO CANADIAN CONTENT CREATORS.

Our commitment to original content has helped define Corus as an industry leader in Canada and a significant player in the international marketplace.

Through airplay for Canadian singers and songwriters, the acquisition, development and production of Canadian television projects and direct investment in Canadian film production, Corus Entertainment is helping to build a vibrant entertainment industry that is truly Canadian and globally competitive.

Corus' role in supporting Canadian content starts with Nelvana, Canada's largest animation studio. Globally recognized for its original animated programming and licensing expertise, Nelvana has helped bring Canadian characters like Franklin and Scaredy Squirrel onto the world stage.

Through initiatives such as the Corus Made with Pay Fund, Corus has provided support for original television and film projects such as the series *Bloodletting & Miraculous Cures*, based on Vincent Lam's award-winning book; the upcoming feature *High Alert*, directed by Norman Jewison and penned by Ed Riche and Rick Mercer; and the film adaptation of Mordecai Richler's *Barney's Version*, starring Dustin Hoffman and Paul Giamatti.

A favourite among teachers, librarians, parents and kids, Kids Can Press (KCP) is the largest Canadian-owned children's book publisher in the country. In 2009, KCP launched CitizenKid, a book series that encourages social responsibility. KCP is also extending its Scaredy Squirrel brand – over 500,000 books sold worldwide – into a television series, an online presence and an international merchandise and licensing program.

←
Entertaining tweens in Canada on TELETOON and in the U.S. on Cartoon Network, Canadian original animated series *6TEEN* won a 2009 Daytime Emmy® Award for Outstanding Original Song.

↓
In *ZOS: Zone of Separation*, the powerful drama starring Enrico Colantoni and Colm Meaney, Paul Gross and the talented creative team from Whizbang Films created a timely, modern take on international conflicts that demonstrates the cinematic possibilities of pay TV.

CANADIANA

↓
Produced by YTV in association with 9 Story Entertainment, real Survivorman Les Stroud mentors eight teens on how to survive the wilderness in *Survive This*.

Sold in 16 languages around the world and with more books, a television series and a licensing and merchandise program in the works, Scaredy Squirrel is ready to take on the world.

Investing in Canadian talent each year, Corus Radio helps emerging artists build a foundation for future national and international success through airplay, on-air promotion and station-sponsored live events. This year, Goodbye Beatdown was chosen as the 2009 winner of the *99.3 The FOX Vancouver Seeds Program* Platinum Award.

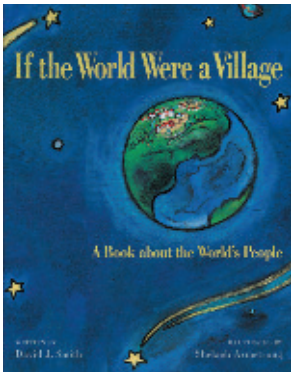
Dedicated to the development of Canadian talent, Corus Radio stations are where many of today's major artists first garnered recognition, including Billy Talent who headlined this year's Edgefest and performed at past CASBY (Canadian Artists Selected By You) Awards shows.

W Network programs offer expertise and a distinctive approach to health, home, beauty, finance, design, food and more. The channel's roster of talented Canadian experts includes well-known hosts Anna Wallner and Kristina Matisic of *Anna & Kristina's Grocery Bag* and design guru Candice Olson, host of *Divine Design*. The recent three-part special, *The Ultimate W Expert Challenge* adds to the channel's reputation as the destination for lifestyle expertise and for nurturing Canadian talent.

PHILANTHROPY

↑→

Helping others is an overriding passion for on-air personality Adele Newton, this year's Corus Citizenship Award winner. In addition to working tirelessly to support women and children through Women's Crisis Services of Waterloo Region, Adele has travelled to El Salvador to help Short Term International Medical Missions Abroad (STIMMA) provide medical relief to vulnerable populations around the world.



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Available in 16 languages (including Braille), *If the World Were a Village* is part of KCP's CitizenKid series, a collection of books that informs children about the world and inspires them to be better global citizens.

CORUS IS ACCOUNTABLE TO THE COMMUNITIES IT SERVES, AND WE DEMONSTRATE THAT **ACCOUNTABILITY** THROUGH OUR SUPPORT OF COMMUNITY ORGANIZATIONS AND LOCAL CHARITIES.

Each year, Corus leverages the power of our broadcasting assets to assist local organizations, charities and people in need through millions of dollars worth of donated air time and services, local fundraising and cash support. In 2009, Corus and its employees gave the equivalent of more than $22 million to charitable organizations nationwide.

In the past five years, Corus has committed over $7 million to help promote a healthier, balanced lifestyle for Canada's youth. As part of this effort, Corus Television runs public service campaigns that encourage kids to get active. Corus also supports the work of Boys and Girls Clubs of Canada, YMCA, Kids Up Front, the Starlight Starbright Children's Foundation and Kids Help Phone.

Both on and off the air, Corus Radio supports fundraising initiatives such as the Canadian Centre for Abuse Awareness, through *Derringer's 13 Days of Christmas*, and *The Hawk Rocks the Park*, benefiting the Bethany's Hope Foundation's support of children with leukodystrophy.

In March 2009, our Cornwall stations raised more than $107,000 for new state-of-the-art medical equipment for the Cornwall Community Hospital Foundation, while Corus Radio Edmonton raised more than $1.4 million for the Stollery Children's Hospital Foundation.

Corus employees recognize the importance of giving to those in need, especially in a tough economy. Compared to the previous year, more employees participated in our 2009 United Way employee and corporate donations campaign, raising more than $430,000, a 5% increase over 2008.

All six radio stations in Montreal participated in an all-day radiothon, raising over $620,000 for the Sainte-Justine UHC Foundation.

Honoured by the Manitoba Volunteer Association with a Golden Hand Award for its fundraising efforts, Corus Radio Winnipeg's *Hunger for Hope* exceeded its first-year charitable goal by raising more than $139,000 towards ending child hunger in Manitoba.

Christy Clark (left), host of CKNW AM 980's *The Christy Clark Show*, was honoured by the YWCA Vancouver and received a Women of Distinction Award for Community Building in recognition of her efforts to increase awareness about bullying and encouraging British Columbia residents to wear pink t-shirts in support of the cause.

EVERY DAY, THROUGH THE WORK THEY DO AND THE SERVICES THEY PROVIDE, OUR EMPLOYEES DEMONSTRATE THE POWER OF OUR VALUES IN ACTION.

The skills, dedication and diversity of our employees reflect the communities we serve and provide the foundation for our success. In 2009, Corus Entertainment was named one of Canada's Best Diversity Employers in recognition of our workplace diversity and inclusiveness programs. Corus was also named one of Canada's 10 Most Admired Corporate Cultures in recognition of all Corus employees who live our Core Values and contribute to creating a successful company that they can all be proud to be a part of.

Corus recognizes the value of superior performance, and every year we present Samurai Awards to individual employees who embody our Core Values of Accountability, Initiative, Innovation, Knowledge and Teamwork. We also recognize superior team performance with our President's Awards, and this year honoured our Bakugan team and our Winnipeg and Kitchener radio clusters.

Acknowledging great creative work and a dedication to good citizenship is also a priority at Corus. We awarded five Creative Spark Awards in 2009 and also recognized Kitchener on-air talent Adele Newton with the Corus Citizenship Award for her steadfast commitment to volunteerism.

↓
Our 2009 Creative Spark Award winners with Heather Shaw and John Cassaday.

EMPLOYEES

↓
Heather Shaw and John Cassaday
with the 2009 Samurai Award winners.

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the financial position and results of operations for the fiscal year ended August 31, 2009, is prepared at October 30, 2009. This should be read in conjunction with the Company's August 31, 2009 Annual Report and audited consolidated financial statements and notes therein.

The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). Please refer to note 23 of the consolidated financial statements of the Company for a summary of differences between Canadian and United States ("U.S.") GAAP.

All dollar amounts are in Canadian dollars unless otherwise indicated.

Cautionary statement regarding forward-looking statements

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements within the meaning of applicable securities laws. These forward-looking statements are related to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook and can generally be identified by the use of words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although Corus believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things, our ability to attract and retain advertising revenues; audience acceptance of our television programs and cable networks; our ability to recoup production costs; the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying such forward-looking statements may be found in our Annual Information Form. Corus cautions that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to publicly update or revise any forward-looking statements whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

Overview

Corus Entertainment Inc. ("Corus" or the "Company") commenced operations on September 1, 1999. On that date, pursuant to a statutory plan of arrangement, Corus was separated from Shaw Communications Inc. ("Shaw") as an independently operated, publicly traded company and assumed ownership of Shaw's radio broadcasting, specialty television, digital audio services and cable advertising services businesses, as well as certain investments held by Shaw.

Corus operates through two lines of business: Radio and Television. The Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the operating divisions. Generally, Corus' financial results depend on a number of factors, including the strength of the Canadian national economy and the local economies of Corus' served markets, local and national market competition from other broadcasting stations and other advertising media, government regulation, market competition from other distributors of children's animated programming and Corus' ability to continue to provide popular programming.

(A) RADIO

The Radio division comprises 52 radio stations situated primarily in nine of the ten largest Canadian markets by population and in the densely populated area of Southern Ontario. Revenues are derived from advertising aired over these stations. Corus is one of Canada's leading radio operators in terms of audience reach and tune-in. During the fourth quarter of fiscal 2009, the Company's operating segments were redefined. Accordingly, results for the Radio business are now presented on a geographic basis for Radio West, Radio Ontario, and Radio Quebec and other.

(B) TELEVISION

The Television division comprises several analog and digital specialty channels, conventional channels and premium pay television services, as well other businesses related to television. The Kids segment comprises the following: YTV; Treehouse TV; a 50% interest in TELETOON and TELETOON Retro; and the Company's interest in Discovery Kids Canada. The Specialty and Pay segment comprises the following: W Network; VIVA (formerly Canadian Learning Television); Corus' 80% interest in Country Music Television Limited ("CMT"); a 50.5% interest in Telelatino; Corus' western Canadian premium television services Movie Central (including HBO Canada) and Encore; Corus Custom Networks, a cable advertising service; three local television stations; the Nelvana production studio and the related distribution and licensing business; and the Company's interest in DUSK and Cosmopolitan TV. Revenues for analog and digital specialty television networks are generated from affiliate subscriber fees and advertising. Revenues for premium pay television are generated from affiliate subscriber fees. Revenues for the conventional television stations and cable advertising services are derived from advertising. Revenues for the distribution and licensing business are generated from licensing of television programs, merchandise licensing and publishing. During the fourth quarter of fiscal 2009, the Company's operating segments were redefined. Accordingly, results for the Television business are now presented for Kids and Specialty and Pay.

Annual selected financial information

The following table presents summary financial information for Corus for each of the listed years ended August 31:

				% Increase	
(in millions of Canadian dollars, except percentages and per share amounts)	**2009**	2008	2007	2009 over 2008	2008 over 2007
Revenues	**788.7**	787.2	768.7	0.2	2.4
Segment profit [1]	**251.2**	252.1	240.9	(0.4)	4.6
Net income (loss)	**(56.6)**	129.8	107.0		
Earnings (loss) per share					
Basic	**$(0.71)**	$1.57	$1.27		
Diluted	**$(0.71)**	$1.54	$1.23		
Total assets	**1,874.7**	2,033.7	1,937.0		
Long-term debt	**651.8**	692.8	610.7		
Cash dividends declared per share					
Class A Voting	**$0.59502**	$0.570015	$0.501250		
Class B Non-Voting	**$0.60000**	$0.574995	$0.506655		

[1] As defined in "Key performance indicators – Segment profit and segment profit margin".

Results of operations

The following tables present summary financial information for Corus' lines of business and a reconciliation of net income to segment profit for each of the listed years ended August 31:

				% Increase (Decrease)	
(in millions of Canadian dollars, except percentages)	**2009**	2008	2007	2009 over 2008	2008 over 2007
Revenues					
Radio	**258,912**	286,449	275,736	(9.6)	3.9
Television	**530,014**	500,966	493,320	5.8	1.5
Eliminations	**(208)**	(259)	(313)		
	788,718	787,156	768,743	0.2	2.4
Direct cost of sales, general and administrative expenses					
Radio	**198,574**	210,945	198,201	(5.9)	6.4
Television	**320,869**	301,361	305,090	6.5	(1.2)
Corporate	**18,293**	22,979	24,844	(20.4)	(7.5)
Eliminations	**(208)**	(259)	(313)		
	537,528	535,026	527,822	0.5	1.4
Segment profit[1]					
Radio	**60,338**	75,504	77,535	(20.1)	(2.6)
Television	**209,145**	199,605	188,230	4.8	6.0
Corporate	**(18,293)**	(22,979)	(24,844)	(20.4)	(7.5)
Eliminations	**–**	–	–		
	251,190	252,130	240,921	(0.4)	4.7
Depreciation	**20,704**	22,054	21,556		
Amortization	**–**	–	1,555		
Interest expense	**37,426**	41,313	35,838		
Broadcast license and goodwill impairment	**175,000**	–	–		
Disputed regulatory fees	**5,258**	10,936	–		
Other expense, net	**8,428**	7,853	9,800		
Income before income taxes and non-controlling interest	**4,374**	169,974	172,172		
Income tax expense	**56,350**	35,519	59,813		
Non-controlling interest	**4,659**	4,620	5,341		
Net income (loss) for the year	**(56,635)**	129,835	107,018		

[1] As defined in "Key performance indicators – Segment profit and segment profit margin".

Fiscal 2009 compared to fiscal 2008

REVENUES

Revenues for the year of $788.7 million represented a slight increase over $787.2 million last year. Advertising revenues decreased by 9% from the prior year, while subscriber revenues increased by 14% over the prior year. Advertising revenues decreased as a result of the recent economic slowdown experienced across Canada, particularly in Alberta, British Columbia and Ontario. As our Radio business is more dependent on advertising revenues than is the Television business, the impact of these economic conditions was more significant in our Radio business. Please refer to the discussion of segmented results for additional analysis of revenues.

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Direct cost of sales, general and administrative expenses for the year were $537.5 million, an increase of 1% over the prior year. Direct cost of sales, consisting primarily of the amortization of program rights and film investments, increased by 8% over the prior year. General and administrative expenses decreased by 4% from the prior year. Please refer to the discussion of segmented results for additional analysis of expenses.

DEPRECIATION

Depreciation expense for the year was $20.7 million, a decrease of $1.4 million from last year. This decrease reflects a reduction in capital expenditures in recent periods in anticipation of the move to the Toronto Waterfront facility.

INTEREST EXPENSE

Interest expense for the year of $37.4 million represented a $3.9 million decrease from the prior year. Interest on long-term debt is down from the prior year despite the higher average debt balance in fiscal 2009, as interest rates are lower in the current year. This is offset by the impact of the interest rate swap, since Interest rate swap agreements fix the interest rate at 4.13% plus a margin on $400.0 million of the bank debt for the full term of the facility. The effective interest rate on bank loans for 2009 was 4.2%.

BROADCAST LICENSE AND GOODWILL IMPAIRMENT

Broadcast licenses and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. During the third quarter of fiscal 2009, the Company concluded that an interim goodwill and broadcast license impairment test was required for the Radio reporting unit. This conclusion was based on an assessment of a number of factors, the most significant being the decline in radio advertising revenues experienced in the third quarter and the completion of the Company's annual business planning cycle also during the third quarter. Each of these factors highlight adverse market factors affecting radio industry trading multiples in general and the Company's Radio reporting unit market value in particular. As a result, the Company recorded a broadcast license impairment charge of $11.5 million and a goodwill impairment charge of $163.5 million related to the Radio reporting unit.

DISPUTED REGULATORY FEES

The disputed regulatory fee accrual relates to the April 2008 decision of the Federal Court of Appeal to reverse the December 2006 Federal Court decision that ruled that Part II fees paid by broadcasters to the Canadian Radio-television and Telecommunications Commission were an unlawful tax. The broadcasting industry is pursuing avenues of appeal; however until such time as an appeal is heard, the regulation is in force. The accrual in fiscal 2008 includes a balance of $4.9 million related to fiscal 2007 and $6.0 million related to fiscal 2008. Subsequent to the end of the fiscal year, an agreement was reached in respect of these fees, which will result in the Company reversing this accrual in fiscal 2010.

OTHER EXPENSE, NET

Other expense increased in fiscal 2009 as a result of further initiatives to reduce costs in the Radio division in general and the Quebec region in particular. The Company incurred $8.6 million in fiscal 2009 in relation to these initiatives. The prior year includes restructuring charges of $6.1 million, incurred in the Television and Radio segments.

INCOME TAXES

The effective tax rate for fiscal 2009 was 1288.3%, compared to the Company's 33.0% statutory rate. This difference is due to the almost entirely non-deductible treatment of the broadcast license and goodwill impairment charge. Adjusting for the difference related to the broadcast license and goodwill impairment charge, the effective rate for fiscal 2009 was 32.8%.

NET INCOME AND EARNINGS PER SHARE

Net loss for the year was $56.6 million, as compared to net income of $129.8 million last year. Loss per share for the year was $0.71, basic and diluted, compared with earnings per share of $1.57 basic and $1.54 diluted last year. Net loss for fiscal 2009 includes an after-tax broadcast license and goodwill impairment charge of $172.5 million, while the prior year benefited from $23.2 million in recoveries related to income tax changes. Removing the impact of these items would result in adjusted basic earnings per share of $1.45 in the current year and $1.29 in the prior year. The weighted average number of shares outstanding decreased in fiscal 2009 as a result of shares acquired and cancelled by Corus under its normal course issuer bid.

OTHER COMPREHENSIVE LOSS, NET OF TAX

The significant item in other comprehensive loss is the change in the unrealized fair value of the Company's interest rate swap. Interest rate declines in both fiscal 2009 and 2008 have resulted in an increase in the Company's derivative fair-value liability and a charge through other comprehensive income. The charge is higher in fiscal 2008 as the interest rate decline was more significant in that year.

Radio

	Year ended August 31,	
(thousands of Canadian dollars)	**2009**	2008
Revenues		
West	**100,544**	115,462
Ontario	**85,185**	94,465
Quebec and other	**73,183**	76,522
	258,912	286,449
Segment profit		
West	**35,319**	43,530
Ontario	**23,681**	29,449
Quebec and other	**1,338**	2,525
	60,338	75,504

Revenues declined by 10% from the prior year, as the economic slowdown in Canada led to decreased advertising spending. Local airtime revenues decreased by 10% and national airtime revenues decreased by 17% compared to the prior year. The declines were experienced across Canada, but was particularly pronounced in the west, which declined by 13% after several years of significant growth. The declines in Quebec were less pronounced as that region had not experienced the same in growth in recent years as Ontario and the west. While the advertising market as a whole declined in fiscal 2009, the Company's revenues were especially hard hit due to a sharp decline in the male demographic. While traditionally strong categories in spending show continued signs of weakness, Corus has focused on maintaining the integrity of its rates, and is poised to benefit from an end of the recession when it occurs.

Direct cost of sales, general and administrative expenses for the year decreased by 6% from the prior year. Variable expenses such as commissions decreased in proportion to the decrease in revenues. Fixed costs, which represent a much higher proportion of the cost structure, decreased by 4% from the prior year. The decrease was largely in employee-related costs and advertising and marketing. This is largely the result of initiatives taken by the Company recently to adjust to lower revenue levels and align the cost structure of this division with its strategic objectives.

Segment profit for the year decreased by 20% from the prior year. Radio is largely a fixed-cost business so the revenue declines resulted in a higher percentage segment profit decline, and a decrease in profit margin. The profit margin decrease was greater in Ontario than in the west because the Ontario operations consist of more small markets with less discretionary spending, and so was less able to adapt to lower revenues.

In the third quarter of fiscal 2009, the Company recorded $175.0 million in broadcast license and goodwill impairment charges related to the Radio division. These charges are excluded from segment profit.

Through fiscal 2009, the Company implemented several initiatives in its Radio operations, particularly related to its Quebec operations and its consolidated sales function. These initiatives resulted in restructuring expenses of approximately $8.6 million in fiscal 2009. These costs are excluded from segment profit. The Company continues to assess challenges presented by the Quebec market, and may undertake further initiatives to align the cost structure of this division with its strategic objectives.

Television

(thousands of Canadian dollars)	Year ended August 31, 2009	2008
Revenues		
Kids	**222,925**	223,796
Specialty and Pay	**307,089**	277,170
	530,014	500,966
Segment profit		
Kids	**89,745**	86,640
Specialty and Pay	**119,400**	112,965
	209,145	199,605

Television revenues in fiscal 2009 increased by 6% over the prior year. Advertising revenues decreased by 6%, while subscriber revenues increased by 14%. Specialty advertising revenues declined by 5% in the year. The advertising declines were experienced in the two main Kids brands: YTV and TELETOON. These declines came in two main advertising categories: Toys and Entertainment. Subscriber revenue growth was experienced across all Corus brands, but was primarily in the Adult specialty and pay brands. This is partly attributed to the successful launch of new brands such as VIVA, CosmoTV and HBO Canada. Movie Central (including HBO Canada) finished the year with 953,000 subscribers, up 7% from the same period last year. Other revenues, including studio service work, distribution, merchandising and publishing revenues were up 13% in the year, due largely to the international success of *Bakugan* in the Kids segment.

Direct cost of sales, general and administrative expenses increased by 6% in the current year. Direct cost of sales, consisting primarily of the amortization of program rights and film investments, increased by 8% over the prior year. These costs fluctuate in proportion to changes in subscriber levels; as a result of program supply agreements; as a result of Canadian content requirements based on the prior year's revenues; as a result of conditions of license; as well as with the volume of service work in the studio. These increased costs were offset by effective cost containment across all categories of general and administrative expenses, which increased by 4% for the year. The increase is largely the result of costs related to the launch of new brands.

Segment profit in fiscal 2009 increased by 5% over the prior year. The Company maintained a stable segment profit margin in the Television business relative to the prior year, in both the Kids and the Specialty and Pay segments.

Corporate

(thousands of Canadian dollars)	Year ended August 31, 2009	2008
Stock-based compensation	**5,146**	9,168
Other general and administrative costs	**13,147**	13,811
General and administrative expenses	**18,293**	22,979

General and administrative expenses decreased to $18.3 million in fiscal 2008 from $23.0 million last year.

Stock-based compensation includes the expenses related to the Company's Performance Share Units ("PSUs"), stock options and other long-term incentive plans. The expense related to stock-based compensation is lower in the current year due to: changes in the assumptions underlying the expense recognition of certain plans; the Company's lower average share price in the current year; and fewer units outstanding in the current year.

Other general and administrative costs are down from the prior year primarily as a result of lower costs related to short-term incentive-based compensation.

Fourth quarter 2009

Revenues for the fourth quarter increased 5% to $195.2 million from $185.8 million in the prior year. Radio revenues decreased 12% to $59.9 million from $68.4 million in the prior year. Television revenues increased 15% to $135.5 million from the prior year.

Segment profit for the fourth quarter increased 22% to $57.4 million from $47.2 million in the prior year. The Radio division's profit increased 1% to $15.2 million from $15.1 million in the prior year. The Television division's profit increased 22% to $46.7 million from $38.4 million in the prior year.

Net income for the fourth quarter increased to $18.7 million ($0.23 basic and diluted earnings per share) from $17.4 million ($0.21 basic and diluted earnings per share) in the prior year.

Fiscal 2008 compared to fiscal 2007

REVENUES

For fiscal 2008, revenues of $787.2 million represented a 2% increase over $768.7 million in the prior year. Radio and Television revenues increased by 4% and 2%, respectively. Please refer to the discussion of segmented results for additional analysis of revenues.

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

For fiscal 2008, expenses were $535.0 million, an increase of 1% over the prior year. Expense decreases in Television were the result of lower film amortization. Expenses increased at Radio partly as a result of having three additional stations compared to last year. Expenses decreased at Corporate as a result of the impact of a lower share price on stock-based compensation. Please refer to the discussion of segmented results for additional analysis of expenses.

DEPRECIATION

Depreciation expense for the year was $22.1 million, an increase of $0.5 million from in the prior year. This increase reflects the timing of capital expenditures and a charge for redundant Corporate assets in the first quarter of fiscal 2008.

AMORTIZATION

The Company adopted the new accounting standards for financial instruments in the first quarter of fiscal 2008. Under these standards, financing fees are included in the carrying amount of the associated debt and amortized over its expected life using the effective interest rate method. The amortization calculated under this method is now included in interest expense.

INTEREST EXPENSE

For fiscal 2008, interest expense of $41.3 million represented a $5.5 million increase over the prior year. Interest on long-term debt is down slightly from the prior year. Interest rate swap agreements fix the interest rate at 4.13% plus a margin on $400.0 million of the bank debt for the full term of the facility. The effective interest rate on bank loans for 2008 was 5.3%. Other interest, which includes imputed non-cash interest on the discounting of financial instruments, increased by $5.1 million from the prior year. This is largely the result of implementing the new financial instruments guidance in fiscal 2008.

DISPUTED REGULATORY FEES

The disputed regulatory fee accrual relates to the April 2008 decision of the Federal Court of Appeal to reverse the December 2006 Federal Court decision that ruled that Part II fees paid by broadcasters to the Canadian Radio-television and Telecommunications Commission were an unlawful tax. The accrual in fiscal 2008 includes a balance of $4.9 million related to fiscal 2007 and $6.0 million related to fiscal 2008.

OTHER EXPENSE, NET

Other expense for the year was $7.9 million, representing a decrease of $1.9 million from the prior year. Fiscal 2008 includes restructuring charges of $6.1 million, incurred in the Television and Radio segments, while the prior year includes $10.4 million in restructuring charges, incurred in the Television, Radio and Content segments.

INCOME TAXES

The effective tax rate for fiscal 2008 was 20.9%, compared to the Company's 34.0% statutory rate.

On December 14, 2007, the reduction to future federal corporate income tax rates announced in Bill C-28 on October 31, 2007 became substantively enacted. As a result, the Company was required to remeasure its income tax assets and liabilities using the reduced rates. As a result of this change, as well as other items, the Company recorded income tax recoveries of $13.2 million in the second quarter and $10.0 million in the third quarter of fiscal 2008.

NET INCOME AND EARNINGS PER SHARE

Net income in fiscal 2008 was $129.8 million or $1.57 basic and $1.54 diluted earnings per share, compared to net income of $107.0 million, or $1.27 basic and $1.23 diluted earnings per share, last year. The weighted average number of shares outstanding decreased in fiscal 2008 as a result of shares acquired and cancelled by Corus under its normal course issuer bid.

OTHER COMPREHENSIVE LOSS, NET OF TAX

Other comprehensive loss for fiscal 2008 was $15.0 million compared to $0.6 million in the prior year. This loss is the result primarily of the change in the unrealized fair value of the Company's interest rate swap. As the Company adopted the new accounting standards for financial instruments in the first quarter of fiscal 2008, there is no comparative figure for this change in unrealized fair value.

Radio

	Year ended August 31,	
(thousands of Canadian dollars)	**2008**	2007
Revenues		
West	**115,462**	108,624
Ontario	**94,465**	92,977
Quebec and other	**76,522**	74,135
	286,449	275,736
Segment profit		
West	**43,530**	41,158
Ontario	**29,449**	30,080
Quebec and other	**2,525**	6,297
	75,504	77,535

For fiscal 2008, revenues of $286.4 million represented a 4% increase over the prior year. Local airtime revenues increased by 1% and national airtime revenues increased by 8% compared to the prior year. Other ancillary revenues also increased from the prior year. Strong revenue growth for the year was achieved in Western Canada, with low single-digit growth in Ontario and Quebec. Corus' expectation is that it will exceed market growth in the markets in which it broadcasts. This occurred in several important markets, as indicated by the Trans-Canada Radio Advertising by Market ("TRAM") report for the year ended August 31, 2008. Overall, Corus grew by 2%, compared to total market growth of 4%; however this result is skewed somewhat by several new competitors in Calgary, where Corus grew by 7% compared to market growth of 12%, and a market decline in French-language Montreal.

For fiscal 2008, expenses of $210.9 million represented a 6% increase over the prior year. Expenses increased for employee-related costs and production and programming costs, due in part to having three additional stations relative to last year.

For fiscal 2008, segment profit was $75.5 million, a decrease of 3% from $77.5 million in the prior year. This segment profit decrease represents a slight margin decline for the Radio segment, as revenue growth did not meet the Company's expectations. This was particularly the case in Ontario and Quebec.

In fiscal 2008, Radio recorded an accrual of $6.1 million related to disputed regulatory fees. These costs are excluded from segment profit.

In fiscal 2008, the Company announced organizational changes in its Corporate and Montreal Radio operations. These changes resulted in severance expenses of approximately $3.5 million in the fourth quarter of fiscal 2008. These costs are excluded from segment profit. The Company continues to assess challenges presented by the Quebec market, and may undertake further initiatives to align the cost structure of this division with its strategic objectives.

Television

	Year ended August 31,	
(thousands of Canadian dollars)	**2008**	2007
Revenues		
Kids	**223,796**	229,522
Specialty and Pay	**277,170**	263,798
	500,966	493,320
Segment profit		
Kids	**86,640**	82,952
Specialty and Pay	**112,965**	105,278
	199,605	188,230

Revenues of $501.0 million for fiscal 2008 represented a 2% increase from the prior year. Advertising revenue grew by 3% for the year, while subscriber revenue grew by 2% in the year. Other ancillary revenues, primarily derived through service work in the studio and distribution and merchandising, were down slightly for the full year. Specialty advertising growth was 4% for the year led by strong double-digit growth at W Network. Declines in advertising revenues were experienced in YTV and TELETOON. The decline in the year came mainly from two categories, toys and entertainment. Movie Central finished the year with 891,000 subscribers, up slightly from the same period last year.

Direct cost of sales, general and administrative expenses were $301.4 million for the year, representing a decrease of 1% from the prior year. Direct cost of sales was flat compared to the prior year. These costs fluctuate in proportion to changes in subscriber levels; as a result of program supply agreements; as a result of Canadian content requirements based on the prior year's revenues; as a result of conditions of license; as well as with the volume of service work in the studio and distribution revenues. These increased costs were offset by effective cost containment across all categories of general and administrative expenses, which decreased by 3% from the prior year.

Segment profit of $199.6 million for the full year represented a 6% increase over the prior year. The Kids segment benefited from revenues on certain high-margin library titles and a significant music rights transaction, which offset the impact of lower advertising revenues.

In fiscal 2008, Television recorded an accrual of $4.8 million related to disputed regulatory fees. Television also incurred $2.4 million in restructuring expenses in the first quarter, related to the Toronto operations. These costs are excluded from segment profit.

Corporate

	Year ended August 31,	
(thousands of Canadian dollars)	**2008**	2007
Stock-based compensation	**9,168**	10,192
Other general and administrative costs	**13,811**	14,652
General and administrative expenses	**22,979**	24,844

General and administrative expenses decreased to $23.0 million in fiscal 2008 from $24.8 million in the prior year.

Stock-based compensation includes the expenses related to the Company's Performance Share Units ("PSUs"), stock options and other long-term incentive plans. The expense related to stock-based compensation is lower in the current year due to changes in the assumptions underlying the expense recognition of certain plans.

Other general and administrative costs are down from the prior year primarily as a result of foreign exchange gains and lower costs related to short-term incentive-based compensation.

Quarterly consolidated financial information (unaudited)

The following tables set forth certain unaudited data derived from the unaudited consolidated financial statements for each of the eight most recent quarters ended August 31, 2009. In management's opinion, these unaudited consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements contained elsewhere in this report.

(in thousands of Canadian dollars, except per share amounts)	Revenues	Segment profit[1]	Net income	Earnings per share – basic	Earnings per share – diluted
2009					
4th quarter	**195,221**	**57,423**	**18,733**	**$0.23**	**$0.23**
3rd quarter	**195,354**	**61,416**	**(145,030)**	**(1.81)**	**(1.81)**
2nd quarter	**181,358**	**51,009**	**29,029**	**0.36**	**0.36**
1st quarter	**216,785**	**81,342**	**40,633**	**0.51**	**0.50**
2008					
4th quarter	185,774	47,235	17,406	$0.21	$0.21
3rd quarter	207,819	71,772	37,674	0.45	0.45
2nd quarter	178,738	49,733	35,368	0.42	0.41
1st quarter	214,825	83,390	39,387	0.47	0.46

[1]As defined in "Key performance indicators – Segment profit and segment profit margin".

SEASONAL FLUCTUATIONS

Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. Accordingly, one quarter's operating results are not necessarily indicative of what a subsequent quarter's operating results will be. In particular, the Company's broadcasting businesses are dependent on general advertising and retail cycles associated with consumer spending activity. Accordingly, operating results for the first quarter tend to be the strongest, reflecting pre-Christmas advertising activity, and for the second quarter they tend to be the weakest, consistent with lower consumer spending in winter months.

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Revenues in the third quarter of fiscal 2009 decreased from the previous year, as the Canadian economy had a negative impact on the advertising market. The impact was most pronounced in the Radio division.
- Net loss in the third quarter of fiscal 2009 includes broadcast license and goodwill impairment charges of $172.5 million, net of tax of $2.5 million, related to the Radio division.
- Net income for the third quarter of fiscal 2008 was negatively impacted by a $9.7 million disputed regulatory fee accrual.
- Net income for the third quarter of fiscal 2008 was positively impacted by approximately $10.0 million in income tax items.
- Net income for the second quarter of fiscal 2008 was positively impacted by approximately $13.2 million in income tax rate changes and other income tax items.

Key performance indicators

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions. With the exception of revenues, direct cost of sales, general and administrative expenses and segment profit, the following key performance indicators are not measurements in accordance with Canadian or U.S. GAAP and should not be considered as an alternative to net income or any other measure of performance under Canadian or U.S. GAAP.

REVENUE

Revenue is a measurement defined by Canadian and U.S. GAAP. Revenue is the inflow of cash, receivables or other consideration arising from the sale of product and services and is net of items such as trade or volume discounts and certain excise and sales taxes. It is the base on which free cash flow, a key performance indicator defined below, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating the level of growth in a competitive marketplace.

The primary sources of revenues for the Company are outlined in the "Overview" section on page 19.

Corus is well diversified by revenue source with revenue streams for the year ended August 31, 2009, derived primarily from two areas: advertising (53%) and subscriber fees (33%) (2008 – 59% and 29%, respectively).

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Consolidated direct cost of sales, general and administrative expenses include amortization of program and film rights (costs of programming intended for broadcast, from which advertising and subscriber fee revenues are derived), amortization of film investments (costs associated with internally produced and acquired television and film programming, from which distribution and licensing revenues are derived), employee remuneration, regulatory license fees, cost of goods sold relating to publishing, marketing (research and advertising costs), selling, general administration and overhead costs. Approximately 31% and 33% of consolidated direct cost of sales, general and administrative expenses in fiscal 2009 (2008 – 34% and 32%, respectively) were composed of employee remuneration and amortization of programming and film costs, respectively.

SEGMENT PROFIT AND SEGMENT PROFIT MARGIN

Segment profit is calculated as revenues less direct cost of sales, general and administrative expenses as reported in the Company's consolidated statements of income and retained earnings. Segment profit may be calculated and presented for an individual operating segment, a line of business, or for the consolidated Company. The Company believes this is an important measure as it allows the Company to evaluate the operating performance of its business segments and its ability to service and/or incur debt; therefore, it is calculated before (i) non-cash expenses such as depreciation and amortization; (ii) interest expense; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as: goodwill and broadcast license impairment; disputed regulatory fees and certain other expenses (note 13 to the consolidated financial statements). Segment profit is also one of the measures used by the investing community to value the Company and is included in note 15 to the consolidated financial statements. Segment profit margin is calculated by dividing segment profit by revenues.

FREE CASH FLOW

Free cash flow is calculated as cash provided by operating activities less cash used in investing activities as reported in the consolidated statements of cash flows. Free cash flow measures the Company's ability to repay debt, finance the business and pay dividends.

(thousands of Canadian dollars)	**2009**	2008	2007
Cash provided by (used in):			
Operating activities	**113,239**	130,578	103,073
Investing activities	**(19,864)**	(101,520)	(70,798)
Free cash flow	**93,375**	29,058	32,275

NET DEBT

Net debt is calculated as long-term debt less cash and cash equivalents as reported in the consolidated balance sheets. Net debt is an important measure as it reflects the principal amount of debt owing by the Company as at a particular date.

(thousands of Canadian dollars)	**2009**	2008
Long-term debt	**651,767**	692,750
Cash and cash equivalents	**(10,922)**	(19,642)
Net debt	**640,845**	673,108

NET DEBT TO SEGMENT PROFIT

Net debt to segment profit is calculated as net debt divided by segment profit. It is one of the key metrics used by the investing community to measure the Company's ability to repay debt through ongoing operations.

(thousands of Canadian dollars except ratios)	**2009**	2008	2007
Net debt (numerator)	**640,845**	673,108	577,350
Segment profit (denominator)	**251,190**	252,130	240,921
Net debt to segment profit	**2.6**	2.7	2.4

Risks and uncertainties

IMPACT OF REGULATION ON CORUS' RESULTS OF OPERATIONS

Corus' Radio and Television business activities are regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC") under the *Broadcasting Act* and, accordingly, Corus' results of operations may be adversely affected by changes in regulations, policies and decisions by the CRTC. The CRTC, among other things, issues licenses to operate radio and television stations and regulates the rates Corus may charge for its specialty television services if such services are distributed as part of the basic service by a cable distributor. Corus' radio stations must also meet technical operating requirements under the *Radiocommunications Act* and regulations promulgated under the *Broadcasting Act*. Changes in the regulation of Corus' business activities, including decisions by the CRTC affecting Corus' operations (such as the granting or renewal of licenses, decisions as to the subscriber fees Corus may charge its customers, or the granting of additional distribution, broadcasting or programming licenses to competitors in Corus' markets) or changes in interpretations of existing regulations by courts or the CRTC could materially adversely affect Corus' business and results of operations.

In addition, in order to maintain eligibility under the *Broadcasting Act* and the *Radiocommunications Act*, there are limitations on the ownership by non-Canadians of Corus Class A Voting Shares. Under certain circumstances, Corus' Board of Directors may refuse to issue or register the transfer of Corus Class A Voting Shares to any person that is a non-Canadian or may sell the Corus Class A Voting Shares of a non-Canadian as if they were the owner of such Corus Class A Voting Shares.

Corus' radio, conventional television, specialty television, pay television and digital audio undertakings rely upon licenses under the *Copyright Act* (Canada) in order to make use of the music component of the programming distributed by these undertakings. Under these licenses, Corus is required to pay royalties established by the Copyright Board pursuant to the requirements of the *Copyright Act* to collecting societies that represent the copyright owners in such music components. These royalties are paid by these undertakings on a monthly basis in the normal course of their business.

The levels of the royalties payable by Corus are subject to change upon application by the collecting societies and approval by the Copyright Board. The Government of Canada may, from time to time, make amendments to the *Copyright Act* to implement Canada's international treaty obligations and for other obligations and purposes. Any such amendments could result in Corus' broadcasting undertakings being required to pay additional royalties for these licenses.

On October 19, 2006, the Federal Court of Appeal set aside the 2005 decision of the Copyright Board, dealing with the Society of Composers, Authors and Music Publishers of Canada's ("SOCAN") commercial radio tariff. The original Board decision modified the rates radio stations pay to SOCAN, introducing a two-tier payment system based on each station's annual revenues. The Court ordered that the matter be referred back to the Copyright Board for its reconsideration. It is uncertain what impact this decision will have on Corus' financial results and position.

On December 14, 2006, the Federal Court of Canada ruled that the Part II license fees paid by CRTC licensees are an unlawful tax. Corus has paid these fees since the Company's inception in 1999, and in fiscal 2006, the last year for which the fees were remitted, the Company remitted approximately $5.0 million in Part II license fees to the CRTC. The disputed regulatory fee accrual relates to the April 2008 decision of the Federal Court of Appeal to reverse the December 2006 Federal Court decision. At the end of fiscal 2009, the Company had an accrual of $16.2 million related to fees for fiscal 2007 to 2009. Subsequent to the end of the fiscal year, an agreement was reached in respect of these fees, which will result in the Company reversing this accrual in fiscal 2010.

Corus licenses a significant portion of its programming to Canadian conventional television stations, specialty and premium television networks, which are required by the CRTC to devote a certain portion of their programming schedules to Canadian productions. In addition to these scheduling requirements, the CRTC generally requires Canadian specialty services to devote a certain amount of their revenues to certified Canadian programming. There can be no assurance that such policies will not be eliminated or scaled back, thereby reducing the advantages that they currently provide to Corus as a supplier of such programs. Also, there can be no assurance that Corus programming will continue to qualify as certified Canadian programming. If Corus' programming fails to so qualify, Canadian broadcasters would not be able to use the programs to meet their Canadian programming obligations and, as a result, license fees paid to Corus by Canadian broadcasters would not reflect the current premium paid for certified Canadian programs, and Corus would not qualify for certain Canadian tax credits and industry incentives. Canadian Heritage, the Canadian ministry that oversees the tax credits, has conducted a review of the definition of Canadian content, as it applies to film and television production, but no formal changes to the definition have been announced.

COMPETITION

Corus encounters aggressive competition in all areas of its business. Corus' failure to compete in these areas could materially adversely affect Corus' results of operations.

The television production industry, specialty and pay television channel broadcasting and radio broadcasting have always involved a substantial degree of risk. There can be no assurance of the economic success of radio stations, television programs or specialty television channels because revenue derived depends on audience acceptance of other competing programs released into, or channels existing in, the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally, and other intangible factors, all of which could rapidly change and many of which are beyond Corus' control. The lack of audience acceptance for Corus' radio stations, television programs, specialty and pay television channels would have an adverse impact on Corus' businesses, results of operations, prospects and financial condition.

Radio

The financial success of each of Corus' radio stations is dependent principally upon its share of the overall advertising revenue within its geographic market, its promotional and other expenses incurred to obtain the revenue and the economic strength of its geographic market. Corus' radio advertising revenues are, in turn, highly dependent upon audience share. Other stations may change programming formats to compete directly with Corus' stations for listeners and advertisers or launch aggressive promotional campaigns in support of already existing competitive formats. If a competitor, particularly one with substantial financial resources, were to attempt to compete in either of these fashions, ratings at Corus' affected stations could be negatively impacted, resulting in lower net revenues.

Radio broadcasting is also subject to competition from electronic and print media. Potential advertisers can substitute advertising through broadcast television, cable television systems (which can offer concurrent exposure on a number of cable networks to enlarge the potential audience), daily, weekly and free-distribution newspapers, other print media, direct mail and on-line computer services for radio advertising. Competing media commonly target the customers of their competitors, and advertisers regularly shift dollars from radio to these competing media and vice versa. Accordingly, there can be no assurance that any of Corus' radio stations will be able to maintain or increase their current audience share and advertising revenue share.

Television

The financial success of Corus' specialty television business depends on obtaining revenue from advertising as well as from subscription fees. Numerous broadcast and specialty television networks compete with Corus for advertising revenue, and a failure by Corus to obtain its necessary share of such revenue could materially adversely affect Corus' results of operations. Corus' services also compete with a number of foreign programming services which have been authorized for distribution in Canada by the CRTC. Moreover, increasingly Corus' specialty, pay and conventional television services are competing with alternative forms of entertainment that are not regulated by the CRTC, such as the Internet and video and DVD rentals. In addition, competition among specialty television services in Canada is highly dependent upon the offering of prices, marketing and advertising support and other incentives to cable operators and other distributors for carriage so as to favourably position and package the services to subscribers. As well, the CRTC has licensed a number of specialty services for digital distribution, which increases competition. Any failure by Corus to compete effectively in the area of specialty television services could materially adversely affect Corus' results of operations.

Corus' pay television services are exclusive providers of premium movies and series, and offer classic movies to western Canadian subscribers. These services compete with pay-per-view movie offerings as well as video-on-demand offerings.

The production and distribution of children's television, books and other media content is very competitive. There are numerous suppliers of media content, including vertically integrated major motion picture studios, television networks, independent television production companies and children's book publishers around the world. Many of these competitors are significantly larger than Corus and have substantially greater resources, including easier access to capital. Corus competes with other television and motion picture production companies for ideas and storylines created by third parties as well as for actors, directors and other personnel required for a production.

Further, vertical integration of the television broadcast industry and the creation and expansion of new networks, which create a substantial portion of their own programming, have decreased the number of available time slots for programs produced by third-party production companies. There can be no assurances that Corus will be able to compete successfully in the future or that Corus will continue to produce or acquire rights to additional successful programming or enter into agreements for the financing, production, distribution or licensing of programming on terms favourable to Corus. There continues to be intense competition for the most attractive time slots offered by those services. There can be no assurances that Corus will be able to increase or maintain penetration of broadcast schedules.

RISKS ASSOCIATED WITH PRODUCTION OF FILM AND TELEVISION PROGRAMS AND WEBSITES

Each production is an individual artistic work and its commercial success is determined primarily by audience acceptance, which cannot be accurately predicted. The success of a program is also dependent on the type and extent of promotion and marketing activities, the quality and acceptance of other competing programs, general economic conditions and other factors, all of which can rapidly change and many of which are beyond Corus' control.

Production of film and television programs requires a significant amount of capital. Factors such as labour disputes, technology changes or other disruptions affecting aspects of production may affect Corus or its co-production partners and cause cost overruns and delay or hamper completion of a production.

Financial risks exist in productions relating to tax credits and co-production treaties. The aggregate amount of government tax credits a project may receive can constitute a material portion of a production budget and typically can be as much as 30% of total budgeted costs. There is no assurance that government tax credits and industry funding assistance programs will continue to be available at current levels or that Corus' production projects will continue to qualify for them. As well, the majority of Corus' productions are co-productions involving international treaties that allow Corus to access foreign financing and reduce production risk as well as qualify for Canadian government tax credits. If an existing treaty between Canada and the government of one of the current co-production partners were to be abandoned, one or more co-productions currently underway may also need to be abandoned. Losing the ability to rely on co-productions would have a significant adverse effect on Corus' production capabilities and production financing.

Results of operations for the production and distribution business within the Kids business for any period are dependent on the number, timing and commercial success of television programs and feature films delivered or made available to various media, none of which can be predicted with certainty. Consequently, current revenue from production and distribution may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition.

Library revenue from production and distribution can vary substantially from year to year, both by geographic territory and by year of production. The timing of the Company's ability to sell library product in certain territories will depend on the market outlook in the particular territory and the availability of product by territory, which depends on the extent and term of any prior sale in that territory.

The production of websites related to Corus' Television and Radio brands generates hundreds of pages of content each day. This content is in many forms including text, graphics, databases, photographs, audio files, radio files and interactive content such as on-line games and third party posts of content and links. Corus takes rigorous steps to ensure that procedures are in place to clear rights and to vet third party content. There remains a risk, however, that some potentially defamatory or infringing content can be posted on a Corus website. Corus carries insurance coverage against this risk but there remains a limited risk of liability to third-party claims.

INTELLECTUAL PROPERTY RIGHTS

Corus' trademarks, copyrights and other proprietary rights are important to the Company's competitive position. In particular, the Content group must be able to protect its trademarks, copyrights and other proprietary rights in order to competitively produce, distribute and license its television programs and published materials and market its merchandise. Accordingly, Corus devotes the Company's resources to the establishment and protection of trademarks, copyrights and other proprietary rights on a worldwide basis. However, from time to time, various third parties contest or infringe upon the Company's intellectual property rights. The Company reviews these matters to determine what, if any, actions may be required or should be taken, including legal action or negotiated settlement. There can be no assurance that the Company's actions to establish and protect trademarks, copyrights and other proprietary rights will be adequate to prevent imitation or unauthorized reproduction of the Company's products by others or prevent third parties from seeking to block sales, licensing or reproduction of these products as a violation of their trademarks, copyrights and proprietary rights.

Moreover, there can be no assurance that others will not assert rights in, or ownership of, the Company's trademarks, copyrights and other proprietary rights, or that the Company will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States or Canada.

TECHNOLOGICAL DEVELOPMENTS

New or alternative media technologies and business models, such as digital radio services, satellite radio, direct-to-home satellite, wireless and wired cable television, Internet programming and video programming and on-line publications have recently begun to compete, or may in the future compete, for programming, audiences and advertising revenues. These technologies and business models may increase audience fragmentation, reduce the Company's ratings or have an adverse effect on advertising revenues from local and national audiences. These or other technologies and business models may have a material adverse effect on Corus' business, results of operations or financial condition.

INTEREST RATE AND FOREIGN EXCHANGE RISK

The Company manages its exposure to floating interest rates through the use of interest rate agreements or "swaps." All such agreements are used for risk management purposes only. In order to minimize the risk of counterparty default under its swap agreements, Corus assesses the creditworthiness of its swap counterparties. Currently 100% of the Company's total swap portfolio is held by financial institutions with Standard & Poor's ratings (or the equivalent) ranging from A to AA–.

Corus has the following financial exposures to risk in its day-to-day operations:

Interest rates

The Company utilizes long-term financing extensively in its capital structure, which includes banking facilities, as more fully described in note 9 to the consolidated financial statements.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR. The Company has entered into Canadian interest rate swap agreements to fix the interest rate of a portion of the facility.

As at August 31, 2009, 61% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Foreign exchange

A portion of the Company's revenues and expenses is in currencies other than Canadian dollars and, therefore, is subject to fluctuations in exchange rates. Approximately 8% of Corus' total revenues were in foreign currencies, the majority of which was U.S. dollars.

CONTINGENCIES

The Company and its subsidiaries are involved in litigation arising in the ordinary course and conduct of its business. The Company recognizes liabilities for contingencies when a loss is probable and capable of being estimated. As at August 31, 2009, there were no actions, suits or proceedings pending or against the Company or its subsidiaries which would, in management's estimation, likely be determined in such a manner as to have a material adverse effect on the business of the Company.

SEC COMMENT LETTER

In its third quarter shareholders' report, the Company indicated that it was in discussions with the U.S. Securities and Exchange Commission ("SEC" or "Staff") regarding Staff comments received by the Company relating to its 2008 form 40-F filing for the year ended August 31, 2008. The SEC completed its review on October 16, 2009 without further comments.

Outlook

At its annual Investor Day in September 2009 the Company updated investors on the Company's fiscal 2010 strategic priorities and provided near-term financial guidance for the 2010 fiscal year. In particular, the Company announced its fiscal 2010 guidance targets of consolidated segment profit of $255.0 to $270.0 million, and free cash flow of between $10.0 and $20.0 million. The free cash flow guidance is lower than in recent years due to the anticipated expenditures related to the Toronto waterfront facility.

To view the Investor Day presentation, please visit the Company's website at www.corusent.com.

Financial position

Total assets at August 31, 2009 were $1.87 billion, compared to $2.03 billion at August 31, 2008. The following discussion describes the significant changes in the consolidated balance sheet since August 31, 2008.

Current assets decreased by $2.4 million. Cash and cash equivalents decreased by $8.7 million. Please see the discussion of cash flows in the next section. Accounts receivable decreased by $10.7 million. The accounts receivable balance typically grows in the first and third quarters and decreases in the second and fourth quarters as a result of the broadcast revenue cycle. The Company carefully monitors the aging of its accounts receivables.

Tax credits receivable increased as a result of accruals related to film production, offset by tax credit receipts. Investments and other assets, broadcast licenses and goodwill balances changed as a result of the completion of the acquisition of an analog specialty service in the first quarter and the sale of a residential digital music service in the second quarter. Broadcast licenses and goodwill balances were also impacted by impairment charges related to the Radio division recorded in the third quarter of fiscal 2009. Program and film rights (current and non-current) increased by $4.3 million, as additions of acquired rights of $162.9 million were offset by amortization of $159.5 million as well as an increase related to business combinations. In particular, investments in programming were made relating to the launch of VIVA in the first quarter. Film investments increased by $11.4 million as net film spending of $42.9 million was offset by film amortization and accruals for tax credits. Nelvana Studio currently has fewer series in production than at the same point last year, and film spending is lower than the prior year.

Accounts payable and accrued liabilities decreased by $25.0 million due to a reduction in accruals related to program rights and other timing issues.

Long-term debt decreased by $41.0 million. As the Company is no longer purchasing its shares, it is using its free cash flow to reduce its debt levels. Other long-term liabilities increased by $13.4 million. The fair value of the liability associated with the interest rate swap increased by $8.5 million as interest rates declined in the current year. The Company also recognized a liability associated with a long-term trademark agreement. Net future tax liability (including current future tax asset) increased by $22.9 million primarily due to a business combination and the utilization of tax loss carry-forwards.

Share capital decreased by $7.7 million as a result of the repurchase and cancellation of shares with a book value of $8.5 million under the Company's normal course issuer bid, offset by the exercise of employee stock options.

Liquidity and capital resources

CASH FLOWS

Overall, the Company's cash and cash equivalents position decreased by $8.7 million in fiscal 2009, compared to a decrease of $13.7 million in the prior year. Free cash flow for fiscal 2009 was $93.4 million, compared to $104.0 million, after adding back cash advanced into escrow for business combinations, in the prior year. This decrease is largely the result of higher payments for program rights.

Cash provided by operating activities in fiscal 2009 was $113.2 million, compared to $130.6 million last year. The higher payments for program and film rights are largely the impact of new channel launches, as well as the reversal of a timing difference from the fourth quarter of fiscal 2008. The lower net additions to film investments are the result of fewer series being in production in the studio relative to last year.

Cash used in investing activities in fiscal 2009 was $19.9 million, compared to cash used of $101.5 million last year. The prior year includes the advance of $75.0 million into escrow to fund the estimated purchase price of an analog specialty service. This acquisition closed in early fiscal 2009. Capital expenditures are $5.0 million higher than in the prior year, as the Company begins to incur capital expenditures related to its move to the Toronto waterfront development.

Cash used in financing activities in fiscal 2009 was $102.1 million, compared to $42.8 million in the prior year. In the current year, the Company repaid a portion of its credit facility. The Company's normal course issuer bid expired midway through fiscal 2009, and was not renewed. In fiscal 2009, 794,966 shares were purchased and cancelled at an average price of $18.97 per share for cash consideration of $15.1 million. The Company's lower average share price in fiscal 2009 resulted in fewer exercises of employee stock options, while $48.0 million in monthly dividends were paid.

LIQUIDITY

As at August 31, 2009, the Company has available $145.0 million under a revolving term credit facility that matures on January 24, 2011. Interest rates on the Company's facilities fluctuate with Canadian bankers' acceptances and LIBOR.

These borrowings combined with cash generated from operations have been the primary funding sources for operations over the last several years. The nature of the Company's business is such that significant expenditures are required to acquire program rights and to produce and acquire film assets for Television's broadcasting and distribution businesses. For the past three years, these expenditures have been financed from cash generated from operations. Historically, the Company has had no significant commitments related to the acquisition of property, plant and equipment; however, the Company will incur capital costs related to the Toronto waterfront lease signed in fiscal 2007. These costs will be incurred in fiscal 2010 and will be financed through the Company's existing debt facility and ongoing operating cash flows. The Company continues to maintain a positive working capital position.

As at August 31, 2009, the Company has a cash balance of $10.9 million and a positive working capital balance. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for fiscal 2010.

NET DEBT TO SEGMENT PROFIT

As at August 31, 2009, net debt was $640.8 million, down from $673.1 million at August 31, 2008. The Company used a portion of its operating cash flow in fiscal 2009 to reduce its debt. Net debt to segment profit at August 31, 2009 was 2.6 times, down from 2.7 at August 31, 2008. This ratio remains below management's stated maximum range of 3.0 to 3.5 times.

OFF-BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company has guarantees and general indemnification commitments to counterparties. Historically, the Company has not made any significant payments with respect to these guarantees and indemnification provisions, and management believes that the risk of loss is low.

The Company uses derivative financial instruments to manage risks from fluctuations in interest rates. These instruments include interest rate swap agreements. All such instruments are only used for risk management purposes. The net receipts or payments arising from financial instruments relating to the management of interest rate risks are recognized in interest expense over the term of the instrument. The carrying values of derivative financial instruments are adjusted to reflect their current market value.

During fiscal 2006, the Company entered into Canadian interest rate swap agreements to fix the interest rate on its outstanding bank loans. The estimated fair value of these agreements at August 31, 2009 is $17.9 million. This estimated fair value has been recorded as a liability in the consolidated balance sheets.

During fiscal 2007, the Company entered into a derivative instrument in order to offset its exposure to changes in the fair value of units issued under its PSU plan. As this derivative does not qualify for hedge accounting, the fair value of less than $0.1 million for this derivative has been included as a liability in the consolidated balance sheet as at August 31, 2009.

CONTRACTUAL COMMITMENTS

Corus has the following contractual obligations:

(thousands of Canadian dollars)	Total	Less than one year	One to three years	Four to five years	After five years
Long-term debt	655,000	–	655,000	–	–
Operating leases	446,315	26,601	46,227	42,348	331,139
Film and program rights purchase commitments	337,204	115,002	149,829	47,425	24,948
Capital expenditure commitment	44,000	44,000	–	–	–
Other long-term obligations	16,686	–	6,222	3,657	6,807

In addition to the financial liabilities in the table above, the Company will also pay interest on any long-term debt outstanding in future periods. In fiscal 2009, the Company incurred interest on long-term debt of $29.4 million (2008 – $33.0 million; 2007 – $33.6 million).

Transactions with related parties

The Company has transacted business in the normal course with entities that are subject to common voting control and with entities over which the Company exercises significant influence. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and have normal trade terms.

During the year, the Company received cable service subscriber, programming and advertising fees of $114.9 million (2008 – $102.4 million), production and distribution revenue of $0.5 million (2008 – $0.9 million) and administrative and other fees of $7.2 million (2008 – $6.4 million) from related parties. In addition, the Company paid cable and satellite system distribution access fees of $6.0 million (2008 – $4.5 million) and administrative and other fees of $2.8 million (2008 – $3.0 million) to related parties. As at August 31, 2009, the Company had $23.0 million (2008 – $19.4 million) receivable from related parties.

The Company provided related parties with interactive impressions, radio and television spots in return for television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Certain officers of the Company are currently indebted to the Company in connection with the purchase of Class B Non-Voting Shares and relocation housing loans. The loans granted by the Company do not bear interest. The aggregate amount of such indebtedness as of August 31, 2009 was $1.1 million.

Outstanding share data

As at October 31, 2009, 3,444,128 Class A Voting Shares and 76,676,790 Class B Non-Voting Shares were issued and outstanding. Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances.

Impact of new accounting policies

FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION

In December 2006, the CICA issued Handbook Sections 3862, "Financial Instruments – Disclosures" and 3863, "Financial Instruments – Presentation". These standards enhance existing disclosures in previously issued Section 3861 "Financial Instruments – Disclosures and Presentation". Section 3862 places greater emphasis on disclosures about risks related to recognized and unrecognized financial instruments and how those risks are managed. Section 3863 carries forward the same 39 presentation standards as Section 3861. The Company adopted these new standards effective September 1, 2008 and the required disclosures are included in note 19 to the consolidated financial statements.

CAPITAL DISCLOSURES

In December 2006, the CICA issued Handbook Section 1535, "Capital Disclosures". This Section establishes standards for disclosing information about an entity's objectives, policies and processes for managing capital. This standard is effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007 on a prospective basis. The Company adopted these new standards effective September 1, 2008 and the required disclosures are included in note 18 to the consolidated financial statements.

CREDIT RISK

During fiscal 2009, the CICA issued Emerging Issues Committee abstract EIC-173, "Credit risk and the fair value of financial assets and liabilities", which requires that an entity take into account its own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of EIC-173 did not have a significant impact on the Company.

Recent accounting pronouncements

GOODWILL AND INTANGIBLE ASSETS

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets," replacing Section 3062, "Goodwill and Other Intangible Assets," and Section 3450, "Research and Development Costs". New Section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The CICA also issued amendments to Section 1000, "Financial Statement Concepts". These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted, and will be adopted by the Company effective September 1, 2009. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards by eliminating the practice of recognizing as assets a variety of start-up, pre-production and similar costs that do not meet the definition and recognition criteria of an asset. The Company does not anticipate that the adoption of Section 3064 will have a material impact on the results of operations in fiscal 2010 and beyond.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, The Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in Canada for publically accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. The Company will be required to report using IFRS beginning September 1, 2011. The Company has begun the process of evaluating the impact of the change to IFRS.

The Company has implemented an IFRS project, and has committed adequate internal and external resources to towards this project, including assembling a project team with a dedicated project team leader.

In particular, the Company has completed a preliminary assessment and planning phase and has commenced a detailed assessment and conversion planning phase. The preliminary assessment phase included the identification of those international standards that are considered likely to have the most significant impact on the Company, or anticipated to involve the highest degree of complexity in implementing. As the detailed assessment progresses and is finalized, the Company intends to disclose such impacts in its management's discussion and analysis.

OTHER

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations," Section 1601, "Consolidated Financial Statements," and Section 1602, "Non-controlling Interests." These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the effects of adopting these changes.

Critical accounting estimates

The Company's significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions made by management in the preparation of the Company's consolidated financial statements include future revenue projections for investments in film and television programs; provisions for doubtful accounts to reflect credit exposures; valuation allowances and impairment assessments for various assets including investments in film and television programs; property, plant and equipment; long-term investments; current and future income taxes; broadcast licenses and goodwill. Actual results could differ from those estimates. The policies described below are considered to be critical accounting estimates, as they require significant estimation or judgment.

FILM INVESTMENTS

The Company accounts for its production and distribution of film and television programs in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2"). SOP 00-2 requires that film and television costs of production and acquisitions are amortized using the individual-film-forecast-computation method. Under this method, capitalized costs for an individual film or television program are amortized in the proportion that current period actual revenues bear to management's estimates of the total revenue expected to be received from such film or television program over a period not to exceed 10 years from the date of delivery. As a result, if revenue estimates change with respect to a film or television program, the Company may be required to write down all or a portion of the unamortized costs of such film or television program, therefore impacting direct cost of sales, general and administrative expenses, and profitability.

BROADCAST LICENSES AND GOODWILL

The cost of acquiring media broadcasting, production/distribution and publishing businesses is allocated to the fair value of related net identifiable tangible and intangible assets acquired. Net identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill.

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without substantial cost and without material modification of the existing terms and conditions of the license. No assurance can be given that the Company will be able to renew its licenses or that substantial cost or material modification of the existing terms and conditions will not be incurred.

Broadcast licenses and goodwill are tested for impairment annually or more frequently if events or changes in circumstances indicate that they are impaired. The Company has selected August 31 as the date it performs its annual impairment test. The fair value of the Company's intangible assets is exposed to future adverse changes if the Company experiences declines in operating results, significant negative industry or economic trends, or if future performance is below historical trends.

As a result of a number of factors (see Broadcast license and goodwill impairment discussion above) the Company recorded an impairment charge of $175.0 million related to these intangibles in fiscal 2009. No assurance can be given that the Company will not have to record further impairment charges in the future.

INCOME TAXES

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse. Certain assumptions are required in order to determine the provision for income taxes, including filing positions on certain items and the realization of future tax assets.

The Company is audited regularly by federal and provincial authorities in the areas of income taxes and the remittance of sales taxes. These audits consider the timing and amount of deductions and compliance with federal and provincial laws. To the extent that the Company's filing positions are challenged, the Company's effective tax rate in a given financial statement period could be materially affected.

The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. No assurance can be given that future earnings will be sufficient to realize the future benefit.

Controls and procedures

As required by National Instrument 52-109 issued by the Ontario Securities Commission, Corus' Chief Executive Officer and Chief Financial Officer have made certain certifications related to the information in Corus' annual filings (as defined in National Instrument 52-109) with the provincial securities legislation.

As Corus is a foreign private issuer listed on the New York Stock Exchange, similar certifications by Corus' Chief Executive Officer and Chief Financial Officer are required by Section 302(a) of the *Sarbanes-Oxley Act of 2002* related to information in Corus' annual report on Form 40-F.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As part of the Form 52-109 certification, the Chief Executive Officer and Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused it to be designed under their supervision) to provide reasonable assurance that material information with respect to Corus, including its consolidated subsidiaries, is made known to them and that they have evaluated the effectiveness of Corus' disclosure controls and procedures as of the end of the period covered by these annual filings. Disclosure controls and procedures ensure that information required to be disclosed by Corus in the reports that it files or submits to the provincial securities legislation is recorded, processed, summarized and reported, within the time periods required. Corus has adopted or formalized such controls and procedures as it believes are necessary and consistent with its business and internal management and supervisory practices.

The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in National Instrument 52-109 and in Rules 13a-15(e) and 15d-15(e) under the *Securities Exchange Act of 1934*, as amended [the "Exchange Act"]), have concluded that, as at August 31, 2009, the Company's disclosure controls and procedures were effective.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

As part of the Form 52-109 certification, the Chief Executive Officer and Chief Financial Officer must also certify that they are responsible for establishing and maintaining internal control over financial reporting and have designed such internal control over financial reporting (or caused it to be designed under their supervision). In addition, Corus' management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

The Company's Chief Executive Officer and Chief Financial Officer have concluded that, as at August 31, 2009, the Company has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian and United States GAAP.

Under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, Corus' management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting, as at August 31, 2009, based on the framework set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of that date.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP, an independent registered public accounting firm, who has audited, and reported on, the Company's consolidated financial statements for the year ended August 31, 2009, as included in this annual report, has also issued a report, under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States), on the operating effectiveness of internal control over financial reporting as at August 31, 2009.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred during fiscal 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Additional information relating to the Company, including the Annual Information Form, can be found on SEDAR at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Corus Entertainment Inc. and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include a reconciliation to U.S. generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

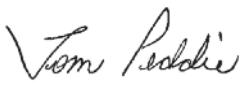
Corus Entertainment Inc. maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. During the past year, management has maintained the operating effectiveness of internal control over external financial reporting. As at year end, we have determined that internal control over financial reporting is effective and Corus Entertainment Inc. has achieved compliance with the requirements set by the U.S. Securities and Exchange Commission ("SEC") under Section 404 of the U.S. *Sarbanes-Oxley Act* ("SOX"). In compliance with Section 302 of SOX, Corus Entertainment Inc.'s Chief Executive Officer and Chief Financial Officer provided to the SEC a certification related to Corus Entertainment Inc.'s annual disclosure document in the U.S. (Form 40-F). The same certification was provided to the Canadian Securities Administrators.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board, and the majority of its members are outside unrelated directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting items, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

John M. Cassaday
President and
Chief Executive Officer



Thomas C. Peddie FCA
Senior Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

To the shareholders of Corus Entertainment Inc.

We have audited the consolidated balance sheets of Corus Entertainment Inc. (the "Company") as at August 31, 2009 and 2008 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the years in the three-year period ended August 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2009 and 2008 and the results of its operations and its cash flows for each of the years in the three-year period ended August 31, 2009 in conformity with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Corus Entertainment Inc.'s internal control over financial reporting as of August 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 4, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP

Toronto, Canada
November 4, 2009

Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS UNDER THE STANDARDS OF THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (UNITED STATES)

The shareholders of Corus Entertainment Inc.

We have audited Corus Entertainment Inc.'s (the "Company") internal control over financial reporting as of August 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's responsibility for financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Corus Entertainment Inc. maintained, in all material respects, effective internal control over financial reporting as of August 31, 2009, based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as at August 31, 2009 and 2008, and the related consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the years in the three-year period ended August 31, 2009 of Corus Entertainment Inc. and our report dated November 4, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP

Toronto, Canada
November 4, 2009

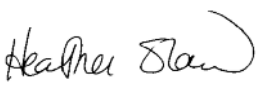
Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

As at August 31 (in thousands of Canadian dollars)	**2009**	2008
Assets *(note 9)*		
Current		
Cash and cash equivalents	**10,922**	19,642
Accounts receivable *(notes 3 and 26)*	**146,784**	157,440
Income taxes recoverable	**7,267**	1,615
Prepaid expenses and other	**14,377**	10,135
Program and film rights	**146,195**	131,301
Future tax asset *(note 14)*	**1,788**	9,593
Total current assets	**327,333**	329,726
Tax credits receivable	**26,698**	21,952
Investments and other assets *(note 4)*	**23,693**	93,086
Property, plant and equipment *(note 5)*	**76,450**	73,562
Program and film rights	**92,579**	103,163
Film investments *(note 6)*	**92,180**	80,819
Broadcast licenses *(note 7)*	**561,741**	533,491
Goodwill *(note 7)*	**674,029**	797,854
	1,874,703	2,033,653
Liabilities and shareholders' equity		
Current		
Accounts payable and accrued liabilities *(note 8)*	**171,055**	196,026
Long-term debt *(note 9)*	**651,767**	692,750
Other long-term liabilities *(note 10)*	**73,360**	59,936
Future tax liability *(note 14)*	**102,842**	87,699
Total liabilities	**999,024**	1,036,411
Non-controlling interest	**21,401**	20,237
Shareholders' equity		
Share capital *(note 11)*	**840,602**	848,257
Contributed surplus	**17,303**	17,304
Retained earnings	**20,380**	131,594
Accumulated other comprehensive loss *(note 22)*	**(24,007)**	(20,150)
Total shareholders' equity	**854,278**	977,005
	1,874,703	2,033,653

Commitments, contingencies and guarantees *(notes 9 and 25)*

See accompanying notes



On behalf of the Board:

John M. Cassaday
Director

Heather A. Shaw
Director

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the years ended August 31 (in thousands of Canadian dollars, except per share amounts)	**2009**	2008	2007
Revenues *(notes 24 and 26)*	**788,718**	787,156	768,743
Direct cost of sales, general and administrative expenses *(notes 11, 21, 25 and 26)*	**537,528**	535,026	527,822
Depreciation	**20,704**	22,054	21,556
Amortization	**–**	–	1,555
Interest expense *(notes 9 and 12)*	**37,426**	41,313	35,838
Broadcast license and goodwill impairment *(note 7)*	**175,000**	–	–
Disputed regulatory fees *(notes 8, 25 and 28)*	**5,258**	10,936	–
Other expense, net *(notes 13 and 21)*	**8,428**	7,853	9,800
Income before income taxes and non-controlling interest	**4,374**	169,974	172,172
Income tax expense *(note 14)*	**56,350**	35,519	59,813
Non-controlling interest	**4,659**	4,620	5,341
Net income (loss) for the year	**(56,635)**	129,835	107,018
Earnings (loss) per share *(note 11)*			
Basic	**$(0.71)**	$1.57	$1.27
Diluted	**$(0.71)**	$1.54	$1.23
Net income (loss) for the year	**(56,635)**	129,835	107,018
Other comprehensive loss, net of tax			
Unrealized foreign currency translation adjustment	**718**	(23)	(641)
Unrealized change in fair value of available-for-sale investments	**(253)**	(1,114)	–
Recognition of change in fair value of available-for-sale assets in net income	**1,692**	–	–
Unrealized change in fair value of cash-flow hedges	**(6,014)**	(13,851)	–
	(3,857)	(14,988)	(641)
Comprehensive income (loss) for the year	**(60,492)**	114,847	106,377

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended August 31 (in thousands of Canadian dollars)	**2009**	2008	2007
Share capital			
Balance, beginning of year	**848,257**	882,244	870,563
Issuance of shares under stock option plan	**597**	12,338	27,676
Shares repurchased *(note 11)*	**(8,450)**	(46,555)	(16,229)
Repayment of executive stock purchase loans	**198**	230	234
Balance, end of year	**840,602**	848,257	882,244
Contributed surplus			
Balance, beginning of year	**17,304**	10,250	6,878
Stock-based compensation	**5,154**	7,904	4,133
Settlement of long-term incentive plan *(note 11)*	**(5,138)**	–	–
Exercise of stock options	**(17)**	(850)	(761)
Balance, end of year	**17,303**	17,304	10,250
Retained earnings			
Balance, beginning of year	**131,594**	95,568	51,585
Cumulative impact of accounting changes	**–**	(1,594)	–
Adjusted opening balance	**131,594**	93,974	51,585
Net income (loss) for the year	**(56,635)**	129,835	107,018
Dividends declared *(note 11)*	**(47,946)**	(47,326)	(42,842)
Shares repurchased excess *(note 11)*	**(6,633)**	(44,889)	(20,193)
Balance, end of year	**20,380**	131,594	95,568
Accumulated other comprehensive loss			
Balance, beginning of year	**(20,150)**	(12,169)	(11,528)
Cumulative impact of accounting changes	**–**	7,007	–
Adjusted opening balance	**(20,150)**	(5,162)	(11,528)
Other comprehensive loss, net of tax	**(3,857)**	(14,988)	(641)
Balance, end of year	**(24,007)**	(20,150)	(12,169)

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31 (in thousands of Canadian dollars)	**2009**	2008	2007
Operating activities			
Net income (loss) for the year	**(56,635)**	129,835	107,018
Add (deduct) non-cash items:			
Depreciation	**20,704**	22,054	21,556
Broadcast license and goodwill impairment	**175,000**	–	–
Amortization of program rights	**159,532**	145,661	138,711
Amortization of film investments	**25,545**	28,393	38,781
Future income taxes	**13,637**	(7,321)	16,295
Non-controlling interest	**4,659**	4,620	5,341
Stock-based compensation	**4,974**	7,971	13,066
Imputed interest	**7,054**	6,390	1,307
Other	**(432)**	2,203	1,097
Net change in non-cash working capital balances related to operations *(note 20)*	**(8,309)**	(11,018)	(27,810)
Payment of program and film rights	**(189,583)**	(141,917)	(156,220)
Net additions to film investments	**(42,907)**	(56,293)	(56,069)
Cash provided by operating activities	**113,239**	130,578	103,073
Investing activities			
Additions to property, plant and equipment	**(22,503)**	(17,552)	(20,287)
Business combinations	**(76,533)**	(774)	(64,692)
Cash held in escrow	**74,950**	(74,950)	–
Net cash flows for investments and other assets	**6,966**	(4,251)	20,679
Decrease in public benefits associated with acquisitions	**(2,744)**	(3,993)	(6,498)
Cash used in investing activities	**(19,864)**	(101,520)	(70,798)
Financing activities			
Increase (decrease) in bank loans	**(40,219)**	85,594	14,388
Notes repurchase and swap termination	**–**	–	(634)
Issuance of shares under stock option plan	**580**	11,488	26,915
Shares repurchased	**(15,083)**	(91,444)	(36,422)
Dividends paid	**(48,021)**	(46,284)	(44,845)
Dividend paid to non-controlling interest	**(2,994)**	(1,742)	(1,524)
Other	**3,642**	(375)	(442)
Cash used in financing activities	**(102,095)**	(42,763)	(42,564)
Net decrease in cash and cash equivalents during the year	**(8,720)**	(13,705)	(10,289)
Cash and cash equivalents, beginning of year	**19,642**	33,347	43,636
Cash and cash equivalents, end of year	**10,922**	19,642	33,347

Supplemental cash flow disclosures *(note 20)*

See accompanying notes

August 31, 2009, 2008 and 2007
(in thousands of Canadian dollars, except share information)

Note 1. Basis of presentation

Corus Entertainment Inc. ("Corus" or the "Company") is a diversified Canadian communications and entertainment company. The Company is incorporated under the *Canada Business Corporations Act* and its Class B Non-Voting Shares are listed on the Toronto and New York stock exchanges.

Note 2. Significant accounting policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP").

The effects of differences between the application of Canadian and U.S. GAAP on the consolidated financial statements of the Company are described in note 23.

CHANGES IN ACCOUNTING POLICIES

On September 1, 2008, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation", with no restatement of prior periods.

Section 1535 establishes standards for disclosing information about an entity's objectives, policies and processes for managing capital. The required disclosures are included in note 18 to the consolidated financial statements.

Section 3862 and Section 3863 enhance existing disclosures in previously issued Section 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 places greater emphasis on disclosures about risks related to recognized and unrecognized financial instruments and how those risks are managed. Section 3863 carries forward the same presentation standards as Section 3861. The required disclosures are included in note 19 to the consolidated financial statements.

During fiscal 2009, the CICA issued Emerging Issues Committee abstract EIC-173, "Credit risk and the fair value of financial assets and liabilities", which requires that an entity take into account its own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of EIC-173 did not have a significant impact on the Company.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Corus and all of its subsidiaries, all of which are wholly owned except for Country Music Television Limited (80% interest), Telelatino Network Inc. (50.5% interest), Discovery Kids Canada (53.6% interest), DUSK (51% interest) and Cosmopolitan TV (54% interest), as well as its proportionate share of the accounts of its joint ventures. Investments in entities over which the Company exercises significant influence are accounted for using the equity method. Intercompany transactions and balances have been eliminated on consolidation. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions made by management in the preparation of the Company's consolidated financial statements include future revenue projections for investments in film and television programs; provisions for doubtful accounts to reflect credit exposures; valuation allowances and impairment assessments for various assets including investments in film and television programs; property, plant and equipment; long-term investments; current and future income taxes; broadcast licenses and goodwill. Actual results could differ from those estimates.

REVENUE RECOGNITION

Advertising revenues are recognized in the period in which the advertising is aired under broadcast contracts.

Affiliate subscriber fee revenues are recognized monthly based on subscriber levels.

Product and distribution revenues from the distribution and licensing of film rights are recognized when all of the following conditions are met: (i) persuasive evidence of a sale or licensing arrangement with a customer exists; (ii) the film is complete and has been delivered or is available for immediate and unconditional delivery; (iii) the license period of the arrangement has begun; (iv) the arrangement fee is fixed or determinable; and (v) collection of the arrangement fee is reasonably assured. Non-refundable recoupable minimum guarantees received under licensing arrangements for home videos where film titles are cross-collateralized are deferred and recognized as revenue over the license term when the underlying home videos are sold as reported by third parties.

Customer advances on contracts are recorded as unearned revenue until all of the foregoing revenue recognition conditions have been met.

Non-refundable advances that are not cross-collateralized and royalties from merchandise licensing, publishing and music contracts are recognized when the license period has commenced and collection is reasonably assured. Advances that are cross-collateralized are deferred and recognized as revenue over the license term when the underlying royalties are reported as earned by third parties.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term deposits with maturities of less than three months at the date of purchase. Cash that is held in escrow, or otherwise restricted from use, is excluded from current assets and is reported separately from cash and cash equivalents.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Land and assets not available for use	Not depreciated
Broadcasting equipment	10 years
Production equipment	5 years
Leasehold improvements	Lease term
Buildings	20–40 years
Computer equipment	3 years
Furniture and fixtures	7 years
Other	4–10 years

PROGRAM RIGHTS

Program rights represent contract rights acquired from third parties to broadcast television programs, feature films and radio programs. The assets and liabilities related to these rights are recorded when the license period has begun and all of the following conditions have been met: (i) the cost of the rights is known or reasonably determinable; (ii) the program material is accepted by the Company in accordance with the license agreement; and (iii) the material is available to the Company for airing. Long-term liabilities related to these rights are recorded at the net present values of future cash flows, using an appropriate discount rate. These costs are amortized over the contracted exhibition period as the programs or feature films are aired. Program and film rights are carried at the lower of cost less accumulated amortization and net recoverable amount.

Amortization of program and film rights is included in direct cost of sales, general and administrative expenses and has been disclosed separately in the consolidated statements of cash flows.

FILM INVESTMENTS

Film investments represent the costs of projects in development, projects in process, the unamortized costs of proprietary films and television programs that have been produced by the Company or for which the Company has acquired distribution rights, and investments in third-party-produced film projects. Such costs include development and production expenditures and attributed studio and other costs that are expected to benefit future periods.

The Company accounts for projects in process and development, completed projects and distribution rights in accordance with the American Institute of Certified Public Accountants Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2").

The individual-film-forecast-computation method is used to determine amortization. The capitalized costs and the estimated total costs of participations and residuals, net of anticipated federal and provincial program contributions, production tax credits and co-producers' shares of production costs, are charged to amortization expense on a series or program basis in the same ratio that current period actual revenue (numerator) bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year (denominator). Ultimate revenue is projected for periods not exceeding 10 years from the date of delivery or acquisition. For episodic television series, SOP 00-2 requires that ultimate revenue includes estimates of revenue over a period not to exceed 10 years from the date of delivery of the first episode or, if still in production, five years from the date of delivery of the most recent episode, if later. Estimates of gross revenue can change significantly due to the level of market acceptance of film and television products. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted. Such adjustments could have a material effect on the results of operations in future periods.

The Company reviews the status of projects in development quarterly. If, in the opinion of management, any such projects will not progress toward production, the accumulated costs are charged to direct cost of sales. Projects are written off at the earlier of: (i) the date determined not to be recoverable, or when projects under development are abandoned; and (ii) three years from the date of the initial investment.

Projects in process represent the accumulated costs of television series or feature films currently in production.

Completed project and distribution rights are stated at the lower of unamortized cost and estimated net realizable value as determined on a series or program basis. Revenue and cost forecasts for each production are evaluated quarterly in connection with a comprehensive review of the Company's film investments, on a title-by-title basis. When an event or change in circumstances indicates that the fair value of a film is less than its unamortized cost, the fair value of the film is determined using management's estimates of future revenues under a discounted cash flow approach. A writedown is recorded equivalent to the amount by which the unamortized costs exceed the estimated fair value of the film.

Investments in third-party-produced film projects are carried at the lower of cost and estimated net realizable value.

Amortization of film investments is included in direct cost of sales, general and administrative expenses and has been disclosed separately in the consolidated statements of cash flows.

BROADCAST LICENSES AND GOODWILL

The cost incurred in a business combination is allocated to the fair value of related identifiable tangible and intangible assets acquired. Historically, identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill.

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without substantial cost and without material modification of the existing terms and conditions of the license.

Broadcast licenses and goodwill are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. The Company has selected August 31 as the date it performs its annual impairment test.

Goodwill impairment is determined using a two-step process. The first step of the process is to compare the fair value of a reporting unit with its carrying amount, including goodwill. In performing the first step, the Company determines the fair value of a reporting unit by using various valuation techniques with the primary methods employed being a discounted cash flow ("DCF") analysis and a market-based approach. Determining fair value requires the exercise of significant judgments, including judgments about appropriate discount rates, perpetual growth rates, relevant comparable company earnings multiples and the amount and timing of expected future cash flows. The cash flows employed in the DCF analysis are based on the Company's budgets and business plans, and various growth rates have been assumed for years beyond the long-term business plan period. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective reporting units. In assessing the reasonableness of its determined fair values, the Company evaluates its results against other value indicators such as comparable company public trading values, research analyst estimates and values observed in private market transactions. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is required to be performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

The impairment test for broadcast licenses consists of comparing the carrying amount of broadcast licenses to their fair values. If the carrying amount exceeds its fair value, an impairment charge is then recognized on the consolidated statements of income (loss). The Company uses a direct-method valuation approach known as the Greenfield income valuation method in determining fair value. Under this method, the Company projects the cash flows that would be generated by each of its units of accounting as if the unit of accounting were to commence operations in each of its markets at the beginning of the valuation period. This cash flow stream is discounted to arrive at a value for the broadcast license. The Company assumes the competitive situation that exists in each market remains unchanged, with the exception that its unit of accounting was just beginning operations. Major assumptions involved in this analysis include revenue growth rates, profit margin, duration and profile of the start-up period, estimated start-up costs and losses incurred during the build-up period, the risk-adjusted discount rate and terminal values. For its radio stations, the Company has determined the unit of accounting to be all of its stations in a local market. For its television operations, the Company has determined the unit of accounting to be each individual broadcast license.

GOVERNMENT FINANCING AND ASSISTANCE

The Company has access to several government programs that are designed to assist film and television production in Canada. Funding from certain programs provides a supplement to a series' Canadian license fee and is recorded as revenue when cash has been received. Government assistance with respect to federal and provincial production tax credits is recorded as a reduction of film investments when eligible expenditures are made and there is reasonable assurance of realization. Assistance in connection with equity investments is recorded as a reduction in film investments.

Government grants approved for specific publishing projects are recorded as revenue when the related expenses are incurred.

INCOME TAXES

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

FOREIGN CURRENCY TRANSLATION

The assets and liabilities of the Company's self-sustaining operations having a functional currency that is not in Canadian dollars are translated into Canadian dollars using the exchange rate in effect at the consolidated balance sheet dates, and revenues and expenses are translated at the average rate during the year. Exchange gains or losses on translation of the Company's net equity investment in these operations are recorded in other comprehensive loss for the year.

For integrated foreign operations and domestic assets and liabilities denominated in foreign currencies, monetary items are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates, and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in net income (loss) for the year.

FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS

The Company has classified its cash equivalents and derivative financial instruments that are not designated as hedges as held-for-trading. They are presented at their fair value and gains or losses arising on revaluation at the end of each year are included in net income (loss) for the year. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and certain components of other long-term liabilities are classified as other financial liabilities and are also measured at amortized cost. Investments in equity instruments are considered available-for-sale. Available-for-sale investments are carried at fair value on the consolidated balance sheets, with changes in fair value recorded in other comprehensive loss, until such time as the investments are disposed of or an other-than-temporary impairment has occurred, in which case the impairment is recorded in net income (loss) for the year. Long-term debt instruments have been classified as other financial liabilities and are measured at amortized cost. Financial instruments measured at amortized cost use the effective interest rate method of amortization.

All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value, with changes in fair value recorded in net income (loss) for the year unless they are effective cash flow hedging instruments. Derivative financial instruments that are designated as cash flow hedges, such as interest rate swap agreements, are presented at their fair value, with gains or losses arising from the revaluation at the end of each year included in other comprehensive loss to the extent of hedge effectiveness.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model and expensed over the option's vesting period. Compensation expense related to the Performance Share Units and long-term incentive plan is accrued over the term of the service period based on the expected total compensation to be paid out at the end of the restriction period. Cash-settled instruments such as the Performance Share Units are classified as liabilities and measured at intrinsic value. Equity-settled instruments such as stock options and awards under the long-term incentive plan are classified as equity and fair value is measured and fixed at the date of grant. Consideration paid by the Company under its Employee Share Purchase Plan is included in direct cost of sales, general and administrative expenses.

EARNINGS PER SHARE

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the basic weighted average number of common shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. The dilutive effect of stock options is determined using the treasury stock method.

IMPAIRMENT OF LONG-LIVED ASSETS

When events or circumstances indicate potential impairment, long-lived assets, other than broadcast licenses and goodwill, are written down to their fair value if the net carrying amount of the asset exceeds the net recoverable amount, calculated as the sum of undiscounted cash flows related to the asset.

FUTURE ACCOUNTING POLICY CHANGES

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets" replacing Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The CICA also issued amendments to Section 1000, "Financial Statement Concepts". These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted, and will be adopted by the Company effective September 1, 2009. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards by eliminating the practice of recognizing as assets a variety of start-up, pre-production and similar costs that do not meet the definition and recognition criteria of an asset. The Company does not anticipate that the adoption of Section 3064 will have a material impact on the results of operations in fiscal 2010 and beyond.

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests". Section 1582 establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Sections 1601 and 1602 establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the effects of adopting these changes.

Note 3. Accounts receivable

	2009	2008
Trade	**136,311**	152,951
Other	**13,868**	8,173
	150,179	161,124
Less allowance for doubtful accounts	**3,395**	3,684
	146,784	157,440

Note 4. Investments and other assets

	2009	2008
Cash held in escrow[(a)]	**–**	74,950
Equity investments	**10,229**	12,506
Other *(note 26)*	**13,464**	5,630
	23,693	93,086

[(a)] In fiscal 2008, the Company advanced cash into escrow to fund the purchase of an analog specialty service. The transaction closed and the Company gained control of the acquiree in fiscal 2009.

Note 5. Property, plant and equipment

2009	Cost	Accumulated depreciation	Net book value
Broadcasting equipment	**24,486**	**9,958**	**14,528**
Production equipment	**43,993**	**34,610**	**9,383**
Leasehold improvements	**26,080**	**16,200**	**9,880**
Buildings	**18,357**	**6,606**	**11,751**
Computer equipment	**50,460**	**43,637**	**6,823**
Furniture and fixtures	**12,953**	**11,024**	**1,929**
Assets under construction	**14,350**	**–**	**14,350**
Land	**6,870**	**–**	**6,870**
Other	**1,761**	**825**	**936**
	199,310	**122,860**	**76,450**

2008	Cost	Accumulated depreciation	Net book value
Broadcasting equipment	20,974	7,787	13,187
Production equipment	42,865	30,435	12,430
Leasehold improvements	25,790	12,811	12,979
Buildings	18,149	5,639	12,510
Computer equipment	45,720	36,245	9,475
Furniture and fixtures	12,949	10,444	2,505
Assets under construction	2,989	–	2,989
Land	6,814	–	6,814
Other	1,296	623	673
	177,546	103,984	73,562

Note 6. Film investments

	2009	2008
Projects in development and in process, net of advances	**22,173**	18,285
Completed projects and distribution rights	**45,595**	38,687
Investments in third-party-produced film projects	**24,412**	23,847
	92,180	80,819

During fiscal 2009, the Company reduced its investments in film and television programs by anticipated federal and Ontario production tax credits amounting to $15,221 (2008 – $16,185).

The Company expects that 25% and 62% of the net book value of completed projects and distribution rights will be amortized during the year ending August 31, 2010 and three years ending August 31, 2012, respectively. It is estimated that at least 80% will be amortized within five years.

The Company expects that $9,014 of accrued participation liabilities will be paid during the year ending August 31, 2010.

Note 7. Broadcast licenses and goodwill

Broadcast licenses and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. During the third quarter of fiscal 2009, the Company concluded that an interim goodwill and broadcast license impairment test was required for Radio. This conclusion was based on an assessment of a number of factors, the most significant being the unprecedented double-digit decline in radio advertising revenues experienced in the third quarter and the completion of the Company's annual business planning cycle also during the third quarter. Each of these factors highlight adverse market factors affecting radio industry trading multiples in general and the Radio reporting unit's value in particular.

The broadcast license impairment test indicated impairments in certain markets, and so the Company recorded a charge of $11,500 in the third quarter of fiscal 2009.

With respect to the goodwill impairment test, the fair value of Radio was determined to be below its carrying amount. As a result, a goodwill impairment charge of $163,500 was recorded at May 31, 2009.

The goodwill impairment was finalized in the fourth quarter, and resulted in no adjustments to the impairment charge recorded in the third quarter.

The changes in the book value of goodwill, by segment, for the year ended August 31, 2009 were as follows:

	Opening	Acquisitions	Dispositions	Impairment	Reallocation	Closing
Radio	419,983	–	–	(163,500)	(256,483)	–
West	–	–	–	–	129,289	129,289
Ontario	–	–	–	–	103,630	103,630
Quebec and other	–	–	–	–	23,564	23,564
Television	377,871	43,574	(3,899)	–	(417,546)	–
Kids	–	–	–	–	143,547	143,547
Specialty and Pay	–	–	–	–	273,999	273,999
	797,854	43,574	(3,899)	(163,500)	–	674,029

In fiscal 2009, goodwill was reallocated from the divisions in total to the new operating segments within the divisions (note 15).

Goodwill is located primarily within Canada.

Note 8. Accounts payable and accrued liabilities

	2009	2008
Trade accounts payable and accrued liabilities	**65,743**	79,066
Program rights payable	**78,821**	95,059
Film investment accruals	**2,295**	2,887
Dividends payable	**8,002**	8,078
Disputed regulatory fees *(notes 25 and 28)*	**16,194**	10,936
	171,055	196,026

As at August 31, 2008, the Company had $2,982 in accrued restructuring expenses in accounts payable and accrued liabilities. In fiscal 2009, the Company recorded restructuring expenses of $8,632 in its Radio operations. These costs are primarily severances related to strategic cost-saving initiatives being undertaken in the Quebec Radio operations, as well as a restructured sales function across the Radio division. The Company anticipates that it will incur additional costs in fiscal 2010 in relation to these initiatives. These amounts have not been quantified but are not expected to be material. In fiscal 2009, $3,285 has been paid in respect of these provisions and as at August 31, 2009, $8,329 remains unpaid. The Company anticipates that these provisions will be substantially paid in fiscal 2010.

Note 9. Long-term debt

	2009	2008
Bank loans	**653,564**	695,767
Unamortized financing fees	**(1,797)**	(3,017)
	651,767	692,750

The Company has a credit facility with a syndicate of banks that matures on January 24, 2011. The amount committed is $800,000, of which $300,000 is available on a revolving basis and $500,000 on a non-revolving basis, and is repayable at maturity. In addition, the Company may at any time cancel the credit facilities. Funds are available to the Company in both Canadian and U.S. dollars and incur interest on a fluctuating basis plus a margin. As at August 31, 2009, $155,000 of the revolving facility and all of the non-revolving facility were utilized.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptance rates and LIBOR. As at August 31, 2009, the weighted average interest rate on the outstanding bank loans was 1.6% (2008 – 4.4%). The Company has entered into Canadian interest rate swap agreements to fix the interest rate at 4.13% plus a margin on $400,000 of the non-revolving facility for the full term of the facility. Interest on the bank loans, including the impact of the swap, averaged 4.2% for fiscal 2009 (2008 – 5.3%).

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the credit agreements. As well, unlimited guarantees are provided by certain subsidiaries. Under the facility, the Company has undertaken to maintain certain financial covenants. Management has determined that the Company was in compliance with the financial covenants provided under the bank loans as at August 31, 2009.

Note 10. Other long-term liabilities

	2009	2008
Public benefits associated with acquisitions	**808**	3,467
Unearned revenue	**8,156**	3,160
Program rights payable	**25,435**	31,719
Long-term employee obligations	**2,386**	1,332
Deferred leasehold inducements	**5,117**	5,488
Derivative fair value	**17,851**	9,381
Merchandising and trademark liabilities	**10,885**	2,991
Other	**2,722**	2,398
	73,360	59,936

Note 11. Share capital

AUTHORIZED

The Company is authorized to issue, upon approval of holders of no less than two-thirds of the existing Class A shares, an unlimited number of Class A participating shares ("Class A Voting Shares"), as well as an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares"), Class A Preferred Shares and Class 1 and Class 2 Preferred Shares.

Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances.

The Class A Preferred Shares are redeemable at any time at the demand of Corus and retractable at any time at the demand of a holder of a Class A Preferred Share for an amount equal to the consideration received by Corus at the time of issuance of such Class A Preferred Shares. Holders of Class A Preferred Shares are entitled to receive a non-cumulative dividend at such rate as Corus' Board of Directors may determine on the redemption amount of the Class A Preferred Shares. Each of the Class 1 Preferred Shares, the Class 2 Preferred Shares, the Class A Voting Shares and the Class B Non-Voting Shares rank junior to and are subject in all respects to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Class A Preferred Shares in connection with the payment of dividends.

The Class 1 and Class 2 Preferred Shares are issuable in one or more series with attributes designated by the Board of Directors. The Class 1 Preferred Shares rank senior to the Class 2 Preferred Shares.

In the event of liquidation, dissolution or winding-up of Corus or other distribution of assets of Corus for the purpose of winding up its affairs, the holders of Class A Preferred Shares are entitled to a payment in priority to all other classes of shares of Corus to the extent of the redemption amount of the Class A Preferred Shares, but will not be entitled to any surplus in excess of that amount. The remaining property and assets will be available for distribution to the holders of the Class A Voting Shares and Class B Non-Voting Shares, which shall be paid or distributed equally, share for share, between the holders of the Class A Voting Shares and the Class B Non-Voting Shares, without preference or distinction.

Effective on February 1, 2008, the Class A Voting Shares and Class B Non-Voting Shares were split on a two-for-one basis. Accordingly, in fiscal 2008, the comparative numbers of shares and per share amounts were retroactively adjusted to reflect the two-for-one split.

ISSUED AND OUTSTANDING

The changes in the Class A Voting Shares and Class B Non-Voting Shares since August 31, 2007 are summarized as follows:

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	$	#	$	$
Balance as at August 31, 2007	3,445,858	26,684	81,024,594	855,560	882,244
Issuance of shares under stock option plan	–	–	725,384	12,338	12,338
Shares repurchased	–	–	(4,388,400)	(46,555)	(46,555)
Repayment of executive stock purchase loans	–	–	–	230	230
Balance as at August 31, 2008	3,445,858	26,684	77,361,578	821,573	848,257
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(1,330)	(10)	1,330	10	–
Issuance of shares under stock option plan	–	–	40,132	597	597
Shares repurchased	–	–	(794,966)	(8,450)	(8,450)
Repayment of executive stock purchase loans	–	–	–	198	198
Balance as at August 31, 2009	**3,444,528**	**26,674**	**76,608,074**	**813,928**	**840,602**

There are no Class A Preferred Shares, Class 1 Preferred Shares or Class 2 Preferred Shares outstanding at August 31, 2009.

STOCK OPTION PLAN

Under the Company's stock option plan (the "plan"), the Company may grant options to purchase Class B Non-Voting Shares to eligible officers, directors and employees of or consultants to the Company. The number of Class B Non-Voting Shares which the Company is authorized to issue under the Plan is 10% of the issued and outstanding Class B Non-Voting Shares. All options granted are for terms not to exceed 10 years from the grant date. The exercise price of each option equals the market price of the Company's stock on the date of grant. Options vest 25% on each of the first, second, third and fourth anniversary dates of the date of grant.

A summary of the changes to the stock options outstanding since August 31, 2007 is presented as follows:

	Number of options (#)	Weighted average exercise price ($)
Outstanding as at August 31, 2007	4,773,502	14.18
Granted	255,800	22.45
Forfeited or expired	(434,630)	19.18
Exercised	(725,384)	15.84
Outstanding as at August 31, 2008	3,869,288	13.85
Granted	464,500	17.62
Forfeited or expired	(904,406)	15.76
Exercised	(40,132)	14.44
Outstanding as at August 31, 2009	**3,389,250**	**13.85**

As at August 31, 2009, the options outstanding and exercisable consist of the following:

	Options outstanding			Options exercisable	
Range of exercise price ($)	Number outstanding (#)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Number outstanding (#)	Weighted average exercise price ($)
9.53–11.90	1,364,710	1.6	11.22	1,364,710	11.22
11.95–16.13	1,279,740	2.1	13.49	1,154,740	13.21
17.62–22.65	744,800	6.1	19.30	83,450	21.50
	3,389,250	2.8	13.85	2,602,900	12.43

The fair value of each option granted since September 1, 2003 was estimated on the date of the grant using the Black-Scholes option pricing model. The estimated fair value of the options is amortized to income over the options' vesting period on a straight-line basis. The Company has recorded stock-based compensation expense related to stock options for the year ended August 31, 2009 of $1,314 (2008 – $1,917; 2007 – $3,003). This charge has been credited to contributed surplus. Unrecognized stock-based compensation expense at August 31, 2009 related to the Plan was $1,815.

The fair value of each option granted in fiscal 2009 and 2008 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Fiscal 2009	Fiscal 2008
Fair value	**$3.12**	$4.32
Expected life	**5.4 years**	5 years
Risk-free interest rate	**2.77%**	3.80%
Dividend yield	**3.4%**	2.8%
Volatility	**24.7%**	22.6%

On October 23, 2009, the Company granted a further 389,800 options for Class B Non-Voting Shares to eligible officers and employees of the Company. These options are exercisable at $17.50 per share.

DIVIDENDS

The holders of Class A Voting Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Voting Shares, an additional dividend at a rate of $0.005 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Voting Shares and Class B Non-Voting Shares participate equally, on a share-for-share basis, on all subsequent dividends declared.

The total amount of dividends declared in fiscal 2009 was $47,946 (2008 – $47,326; 2007 – $42,842).

EARNINGS PER SHARE

The following is a reconciliation of the numerator and denominator (in thousands) used for the computation of the basic and diluted earnings per share amounts:

	2009	2008	2007
Net income (loss) for the year (numerator)	**(56,635)**	129,835	107,018
Weighted average number of shares outstanding (denominator)			
Weighted average number of shares outstanding – basic	**80,067**	82,944	84,561
Effect of dilutive securities	**–**	1,575	2,095
Weighted average number of shares outstanding – diluted	**80,067**	84,519	86,656

The calculation of diluted loss per share for fiscal 2009 did not include the effect of any potentially dilutive securities as the assumed issuance of Class B Non-Voting Shares in that period is anti-dilutive. The calculation of diluted earnings per share for fiscal 2008 excluded 171,581 weighted average Class B Non-Voting Shares (2007 – nil) issuable under the plan because these options were not 'in-the-money'.

EXECUTIVE STOCK PURCHASE LOANS

In October 2001, the Board of Directors of the Company authorized the granting of loans to certain of its executive officers in order to finance the acquisition of Class B Non-Voting Shares of the Company on the open market. These loans are non-interest-bearing and are secured by a promissory note and the relevant Class B Non-Voting Shares. Each loan has a 10-year term from December 1, 2001, with annual installments at the greater of 10% of the original principal or 10% of the employee's pre-tax bonus for the most recently completed financial year of the Company. As at August 31, 2009, the Company had loans receivable of $518 (2008 – $716) from certain qualifying executive officers. As at August 31, 2009, the market value of the shares held as collateral for the loans was $1,437 (2008 – $2,015).

PERFORMANCE SHARE UNITS

The Company has granted Performance Share Units ("PSUs") to certain employees. Each PSU entitles the participant to receive a cash payment in an amount equal to the closing price of Class B Non-Voting Shares traded on the Toronto Stock Exchange (the "TSX") at the end of the restriction period, multiplied by the number of vested units determined by achievement of specific performance-based criteria. Compensation expense related to the PSUs is accrued over the term of the restriction period based on the expected total compensation to be paid out at the end of the restriction period, factoring in the probability of any performance-based criteria being met during the period. The stock-based compensation expense recorded in fiscal 2009 in respect of this plan was a recovery of $9 (2008 – expense of $1,264; 2007 – expense of $6,059). A reduction in the Company's share price led to an adjustment to the assumptions underlying the expense recognition of this plan in fiscal 2008 and 2009. The current year's recovery includes a charge of $171 (2008 – charge of $1,197; 2007 – income of $2,874) generated by a total return swap entered into in fiscal 2007 in order to limit the Company's exposure to changes in the fair value of certain obligations under the PSU plan.

LONG-TERM INCENTIVE PLAN

In fiscal 2006, the Company implemented a long-term incentive plan for senior management based on shareholder appreciation targets. Each unit granted under this plan entitles the participant to receive, at the Company's option, one Class B Non-Voting Share or a cash payment in an amount equal to the closing price of one Class B Non-Voting Share traded on the TSX at the end of the restriction period. The 209,870 units granted in fiscal 2007 under this plan vested at the end of fiscal 2009. In fiscal 2008 and 2009, 156,400 and 263,900 units were granted, respectively, with vesting periods between three and five years. The stock-based compensation expense recorded in fiscal 2009 in respect of this plan was $3,841 (2008 – $5,987; 2007 – $1,130). This charge has been credited to contributed surplus.

Units that vested on August 31, 2008 were paid in cash in fiscal 2009. This resulted in a reduction of $5.1 million to contributed surplus in fiscal 2009.

OTHER

The Company allows directors and senior management to receive their director's fees or short-term incentive compensation, respectively, in the form of deferred share units. Each deferred share unit has the same value as a Class B Non-Voting Share. These deferred share units are fully vested upon grant, and the value is paid in cash to the holder following termination of service or employment. At August 31, 2009 there were 171,819 deferred share units outstanding (2008 – 161,355 deferred share units).

NORMAL COURSE ISSUER BID

The shares purchased for cancellation since August 31, 2007 are as follows:

	Fiscal 2009			Fiscal 2008		
Normal course issuer bid expiry date	#	$	Average	#	$	Average
February 14, 2008	–	–	–	1,570,400	38,479	24.50
February 14, 2009	**794,966**	**15,083**	**18.97**	2,818,000	52,965	18.80
	794,966	**15,083**	**18.97**	4,388,400	91,444	20.84

During fiscal 2009, the total cash consideration paid exceeded the carrying value of the shares repurchased by $6,633 (2008 – $44,889; 2007 – $20,193), which was charged to retained earnings.

Note 12. Interest expense

	2009	2008	2007
Interest on long-term debt	**29,350**	33,049	33,553
Imputed interest on long-term liabilities	**7,054**	6,390	1,307
Other	**1,022**	1,874	978
	37,426	41,313	35,838

Note 13. Other expense, net

	2009	2008	2007
Interest income	**(1,206)**	(1,042)	(841)
Foreign exchange losses	**1,739**	823	109
Losses from equity investments	**318**	1,343	857
Restructuring charges *(note 8)*	**8,632**	6,142	10,393
Gain on disposal *(note 16)*	**(7,163)**	–	–
Investment write-downs	**6,228**	–	–
Other	**(120)**	587	(718)
	8,428	7,853	9,800

Note 14. Income taxes

Future income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax liability and asset as at August 31 are as follows:

	2009	2008
Deferred charges deducted for tax purposes capitalized for accounting purposes	**599**	681
Capital cost allowance in excess of book depreciation	**(349)**	(570)
Deferred partnership income	**2,441**	4,035
Differences in tax and accounting cost bases for investments	**5,056**	4,300
Broadcast licenses and other intangible assets	**137,070**	130,163
Other, net	**2,308**	3,101
Total future tax liability	**147,125**	141,710
Book depreciation in excess of capital cost allowance	**18,040**	24,139
Loss carryforwards, net of valuation allowances	**3,775**	14,575
Deferred gain on sale of investment	**344**	–
Amortization deducted for accounting purposes in excess of tax purposes	**10,941**	13,560
Differences in tax and accounting cost bases for investments	**1,238**	2,277
Differences in revenue recognition for tax and accounting purposes	**1,380**	1,471
Purchase price equation differences	**–**	54
Other, net	**10,353**	7,528
Total future tax asset	**46,071**	63,604
Net future tax liability	**101,054**	78,106
Less current portion of future tax asset	**1,788**	9,593
	102,842	87,699

Significant components of the income tax expense are as follows:

	2009	2008	2007
Current tax expense	**42,713**	42,840	43,518
Future tax resulting from temporary differences	**(26)**	6,750	3,189
Future tax resulting from losses	**10,784**	13,074	14,293
Future tax resulting from tax rate changes	**193**	(10,266)	(1,631)
Recovery of various future tax liabilities	**1,050**	(12,841)	–
Other	**1,636**	(4,038)	444
	56,350	35,519	59,813

The reconciliation of income tax attributable to operations computed at the statutory rates to income tax expense is as follows:

	2009		2008		2007	
	$	**%**	$	%	$	%
Tax at combined federal and provincial rate	**1,442**	**33.0**	57,744	34.0	61,055	35.5
Broadcast license and goodwill impairment	**54,801**	**1,252.8**	–	–	–	–
Reduction in future taxes resulting from statutory rate change	**193**	**4.4**	(10,266)	(6.0)	(1,631)	(0.9)
Recovery of various tax liabilities	**1,885**	**43.1**	(13,302)	(7.8)	1,016	0.6
Other	**(1,971)**	**(45.0)**	1,343	0.7	(627)	(0.5)
	56,350	**1,288.3**	35,519	20.9	59,813	34.7

The Company recognizes as a future tax asset the benefit of capital and non-capital loss carryforwards to the extent it is more likely than not that the benefit will be realized. As at August 31, 2009, the Company had available loss carryforwards of approximately $36,700. A future tax asset of $10,694 (2008 – $21,045) has been recognized in respect of these carryforwards, net of a valuation allowance of $6,919 (2008 – $6,470).

The available loss carryforwards will expire as follows:

2010	2,700
2011	1,700
2015	1,100
2026	1,200
2027	700
2028	4,800
2029	7,700
No expiration	16,800
	36,700

Note 15. Business segment information

Historically, the Company's business activities have been conducted through three operating divisions. As a result of changes made to Corus' management structure, commencing in the first quarter of fiscal 2009, the former Content division is now considered part of the Television division and the activities of the Content business are included in the Television division's results. Prior period disclosures have been restated to reflect this new structure. The Company's business activities are now conducted through two divisions and five segments:

RADIO

The Radio segment comprises 52 radio stations, situated primarily in high-growth urban centres in Canada. Revenues are derived from advertising aired over these stations. During the fourth quarter of fiscal 2009, the Company's operating segments were redefined. Accordingly, results for the Radio business are now presented on a geographic basis for Radio West, Radio Ontario, and Radio Quebec and other.

TELEVISION

The Television segment includes interests in several specialty television networks, pay television, conventional television stations, cable advertising services, the Nelvana production studio and the related distribution and licensing business. Revenues are generated from subscriber fees, advertising and the licensing of proprietary films and television programs, merchandise licensing and publishing. During the fourth quarter of fiscal 2009, the Company's operating segments were redefined. Accordingly, results for the Television business are now presented for Kids and Specialty and Pay.

The Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the other operating segments.

Management evaluates each division's performance based on revenues less direct cost of sales, general and administrative expenses. Segment profit excludes depreciation, interest expense, broadcast license and goodwill impairment charges, disputed regulatory fees and certain other income and expenses (note 13).

REVENUES AND SEGMENT PROFIT

Year ended August 31, 2009	**Radio**	**Television**	**Corporate**	**Eliminations**	**Consolidated**
Revenues	**258,912**	**530,014**	**–**	**(208)**	**788,718**
Direct cost of sales, general and administrative expenses	**198,574**	**320,869**	**18,293**	**(208)**	**537,528**
Segment profit	**60,338**	**209,145**	**(18,293)**	**–**	**251,190**
Depreciation	**6,798**	**9,593**	**4,313**	**–**	**20,704**
Interest expense	**928**	**5,163**	**31,335**	**–**	**37,426**
Broadcast license and goodwill impairment	**175,000**	**–**	**–**	**–**	**175,000**
Disputed regulatory fees	**2,746**	**2,512**		**–**	**5,258**
Other expense, net	**7,888**	**853**	**(313)**	**–**	**8,428**
Income before income taxes and non-controlling interest	**(133,022)**	**191,024**	**(53,628)**	**–**	**4,374**

Year ended August 31, 2008	Radio	Television	Corporate	Eliminations	Consolidated
Revenues	286,449	500,966	–	(259)	787,156
Direct cost of sales, general and administrative expenses	210,945	301,361	22,979	(259)	535,026
Segment profit	75,504	199,605	(22,979)	–	252,130
Depreciation	6,533	10,473	5,048	–	22,054
Interest expense	1,042	4,643	35,628	–	41,313
Disputed regulatory fees	6,155	4,781	–	–	10,936
Other expense, net	3,594	6,855	(2,596)	–	7,853
Income before income taxes and non-controlling interest	58,180	172,853	(61,059)	–	169,974

Year ended August 31, 2007	Radio	Television	Corporate	Eliminations	Consolidated
Revenues	275,736	493,320	–	(313)	768,743
Direct cost of sales, general and administrative expenses	198,201	305,090	24,844	(313)	527,822
Segment profit	77,535	188,230	(24,844)	–	240,921
Depreciation	6,195	11,164	4,197	–	21,556
Amortization	–	355	1,200	–	1,555
Interest expense	1,015	741	34,082	–	35,838
Other expense, net	3,911	9,032	(3,143)	–	9,800
Income before income taxes and non-controlling interest	66,414	166,938	(61,180)	–	172,172

In addition to evaluating performance of the divisions in total, management also measures performance at the operating segment level. The following tables present further details on the operating segments within the Radio and Television divisions:

REVENUES

	2009	2008	2007
Radio			
West	**100,544**	115,462	108,624
Ontario	**85,185**	94,465	92,977
Quebec and other	**73,183**	76,522	74,135
	258,912	286,449	275,736
Television			
Kids	**222,925**	223,796	229,522
Specialty and Pay	**307,089**	277,170	263,798
	530,014	500,966	493,320

SEGMENT PROFIT

	2009	2008	2007
Radio			
West	**35,319**	43,530	41,158
Ontario	**23,681**	29,449	30,080
Quebec and other	**1,338**	2,525	6,297
	60,338	75,504	77,535
Television			
Kids	**89,745**	86,640	82,952
Specialty and Pay	**119,400**	112,965	105,278
	209,145	199,605	188,230

Revenues are derived from the following areas:

	2009	2008	2007
Advertising	**420,904**	462,711	440,857
Subscriber fees	**256,505**	225,202	220,292
Other	**111,309**	99,243	107,594
	788,718	787,156	768,743

Revenues are derived from the following geographical sources, by location of customer:

	2009	2008	2007
Canada	**728,277**	738,914	718,053
International	**60,441**	48,242	50,690
	788,718	787,156	768,743

SEGMENT ASSETS

	2009	2008
Radio	**–**	736,224
West	**242,568**	–
Ontario	**202,918**	–
Quebec and other	**99,950**	–
Television	**–**	1,179,812
Kids	**569,009**	–
Specialty and Pay	**716,645**	–
Corporate	**43,613**	117,617
	1,874,703	2,033,653

Assets are located primarily within Canada.

CAPITAL EXPENDITURES BY DIVISION

	2009	2008	2007
Radio	**5,194**	6,900	7,745
Television	**3,185**	5,457	7,812
Corporate	**14,124**	5,195	4,730
	22,503	17,552	20,287

Property, plant and equipment are located primarily within Canada.

Note 16. Business combinations and dispositions

In fiscal 2009, the Company completed the acquisition of the analog specialty television service Canadian Learning Channel ("CLT"). The total cash consideration paid was approximately $75.0 million, including customary closing adjustments. The Canadian Radio-television and Telecommunications Commission ("CRTC") approved the acquisition on August 22, 2008 and the Company took over ownership and operation of CLT, subsequently rebranded VIVA, on September 1, 2008. The results of operations of VIVA are included in the Company's consolidated financial statements from the date of acquisition. The purchase equation, which was accounted for using the purchase method, is summarized below:

Assigned value of net assets acquired	
Working capital	2,506
Program and film rights	1,501
Broadcast licenses	40,500
Goodwill	43,574
Future tax liabilities	(11,548)
Cash consideration given	76,533

In fiscal 2009, the Company ceased operations of its residential audio business and completed the sale of selected assets for proceeds of $13,312, resulting in a pre-tax gain of $7,163 (note 13). Management will be providing operational and consulting services to the purchaser. Included in the proceeds is a contingent amount of $2,250, which will be recognized on the completion of certain performance-based criteria.

During fiscal 2008, the Company finalized the purchase equation for the acquisition of two radio stations in fiscal 2007, and in an unrelated transaction completed the acquisition of an additional radio station. The impact of these transactions was to increase broadcast licenses by $679 and increase goodwill by $2,022 in fiscal 2008. The total cash consideration paid in fiscal 2008 was $774 and in fiscal 2007 was $18,047.

In fiscal 2007, the Company completed the acquisition of an additional 10% share of TELETOON, to increase its ownership interest in this television network from 40% to 50%. The total cash consideration paid was $46,645. This investment will continue to be accounted for as a joint venture and, as such, the net assets acquired and results of operations are proportionately consolidated from the date of acquisition.

Note 17. Joint ventures

The following amounts, included in these consolidated financial statements, represent the Company's proportionate share in joint ventures:

	2009	2008
Current assets	**31,228**	31,086
Long-term assets	**25,871**	38,475
Current liabilities	**17,463**	28,751
Long-term liabilities	**1,468**	5,900
Cash provided by operating activities	**8,746**	3,390
Cash used in investing activities	**(413)**	(265)
Revenues	**49,474**	52,560
Expenses	**36,928**	36,310
Net income for the year	**12,546**	16,250

Note 18. Capital management

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital as the aggregate of its shareholders' equity and long-term debt less cash and cash equivalents.

Total managed capital is as follows:

	2009	2008
Long-term debt	**651,767**	692,750
Cash and cash equivalents	**(10,922)**	(19,642)
Net debt	**640,845**	673,108
Shareholders' equity	**854,278**	977,005
	1,495,123	1,650,113

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay long-term debt, issue shares, repurchase shares through a normal course issuer bid, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances.

The Company monitors capital based on a number of criteria, including: net debt to segment profit ratio and dividend yield. The Company's current stated objectives are to maintain a net debt to segment profit ratio of a maximum of 3.0 to 3.5 times, and maintain a dividend yield in excess of 2.5%. The Company believes that these objectives provide a reasonable framework for providing a return to its shareholders. The Company is currently operating within these internally imposed constraints.

The Company is not subject to any externally imposed capital requirements, and there has been no change in the Company's capital management approach during the year.

Note 19. Financial instruments

The following table sets out the classification of financial and non-financial assets and liabilities as at August 31, 2009:

	Held for trading	Available for sale	Loans and receivables	Other financial liabilities	Non-financial	Total carrying amount
Cash and cash equivalents	10,922	–	–	–	–	10,922
Accounts receivable	–	–	146,784	–	–	146,784
Investments and other assets	–	196	2,604	–	20,893	23,693
Other non-financial assets	–	–	–	–	1,693,304	1,693,304
Total assets	10,922	196	149,388	–	1,714,197	1,874,703
Accounts payable and accrued liabilities	35	–	–	171,020	–	171,055
Long-term debt	–	–	–	651,767	–	651,767
Other long-term liabilities	17,851	–	–	39,042	16,467	73,360
Other non-financial liabilities	–	–	–	–	102,842	102,842
Total liabilities	17,886	–	–	861,829	119,309	999,024

FAIR VALUES

The fair values of financial instruments included in current assets and current liabilities approximate their carrying values due to their short-term nature.

The fair value of publicly traded shares included in investments and other assets is determined by quoted share prices in active markets. The fair value of other financial instruments included in this category is determined using other valuation techniques.

The fair value of long-term debt is estimated based on discounted cash flows using year-end market yields, adjusted to take into account the Company's own credit risk. At August 31, 2009, the Company has estimated the fair value of its long-term debt to be $632,729, compared to its carrying amount of $651,767.

The fair values of financial instruments in other long-term liabilities approximate their carrying values as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

The fair values of derivative financial instruments are determined based on management's estimates, supported by quotations by the counterparties to the agreements. In particular, management uses a valuation model that projects future cash flows and discounts the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external markets, such as period-end swap rates, adjusted to take into account the Company's own credit risk.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

RISK MANAGEMENT

The Company is exposed to various risks related to its financial assets and liabilities. These risk exposures are managed on an ongoing basis.

Credit risk

In the normal course of business, the Company is exposed to credit risk from its accounts receivable from customers. The carrying amounts for accounts receivable are net of applicable allowances for doubtful accounts, which are estimated based on past experience, specific risks associated with the customer and other relevant information.

The Company is also exposed to credit-related losses in the event of non-performance by counterparties to derivative instruments. The Company manages its counterparty risk by only accepting major financial institutions with high credit ratings as counterparties.

The maximum exposure to credit risk is the carrying amount of the financial assets.

The following table sets out details of the age of receivables and allowance for doubtful accounts as at August 31, 2009:

Trade accounts receivable	
Current	73,787
One to three months past due date	49,530
Over three months past due date	12,994
	136,311
Other receivables	13,868
	150,179
Less allowance for doubtful accounts	3,395
	146,784

The following table sets out the continuity for the allowance for doubtful accounts from August 31, 2008:

Balance at August 31, 2008	3,684
Provision for doubtful accounts	1,925
Write-off of bad debts	(2,214)
Balance at August 31, 2009	**3,395**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity risk primarily by maintaining sufficient unused capacity within its long-term debt facility, and by continuously monitoring forecast and actual cash flows. The unused capacity at August 31, 2009 was $145,000. Further information with respect to the Company's long-term debt facility is provided in note 9.

The following table sets out the undiscounted contractual obligations related to repayment of long-term debt, obligations related to derivative instruments, and program rights payable and other liabilities as at August 31, 2009:

	Total	Less than one year	One to three years	Beyond three years
Long-term debt	655,000	–	655,000	–
Derivative instruments	24,761	16,476	8,285	–
Program rights payable	108,978	78,821	27,320	2,837
Accounts payable and other accrued liabilities	92,234	92,234	–	–
Other long-term liabilities	16,686	–	6,222	10,464
	897,659	187,531	696,827	13,301

In addition to the financial liabilities in the table above, the Company will also pay interest on any long-term debt outstanding in future periods. In fiscal 2009, the Company incurred interest on long-term debt of $29,350 (2008 – $33,049; 2007 – $33,553).

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuers or factors affecting all instruments traded in the market.

The Company is exposed to foreign exchange risk through its treasury function, international content distribution operations, and U.S. dollar denominated programming purchasing. The most significant foreign currency exposure is to movements in the U.S. dollar to Canadian dollar exchange rate and the U.S. dollar to euro exchange rate. The impact of foreign exchange on income before income taxes and non-controlling interest is detailed in note 21. An assumed 10% increase or decrease in exchange rates as at August 31, 2009 would not have had a material impact on net loss or other comprehensive loss for the year.

The Company is exposed to interest rate risk on the bankers' acceptances issued at floating rates under its bank loan facility. The Company manages this risk through the use of interest rate swaps to fix the interest rate as discussed in note 9. An assumed 1% increase or decrease in short-term interest rates during the year ended August 31, 2009 would not have had a material impact on net loss for the year.

Other considerations

The Company does not engage in trading or other speculative activities with respect to derivative financial instruments.

Note 20. Consolidated statements of cash flows

Additional disclosures with respect to the consolidated statements of cash flows are as follows:

Net change in non-cash working capital balances consists of the following:

	2009	2008	2007
Accounts receivable	**12,594**	(5,007)	(10,275)
Prepaid expenses and other	**(4,239)**	186	(2,586)
Accounts payable and accrued liabilities	**(16,896)**	3,687	(9,939)
Income taxes payable and recoverable	**(4,108)**	(2,777)	(3,240)
Other long-term liabilities	**5,766**	(6,881)	(1,662)
Other	**(1,426)**	(226)	(108)
	(8,309)	(11,018)	(27,810)

Interest paid, interest received and income taxes paid and classified as operating activities are as follows:

	2009	2008	2007
Interest paid	**31,178**	35,031	33,928
Interest received	**1,206**	1,042	841
Income taxes paid	**50,104**	46,796	47,646

Note 21. Foreign exchange gains and losses

The Company has reflected certain gains and losses in its consolidated statements of income (loss) as a result of exposure to foreign currency exchange rate fluctuations. A portion of these gains and losses relates to operating activities while other portions are of a financing nature. Foreign exchange gains and losses are reflected in the consolidated financial statements as follows:

	2009	2008	2007
Direct cost of sales, general and administrative expenses	**(47)**	(423)	(363)
Other expense, net	**1,739**	823	109
Total foreign exchange losses (gains)	**1,692**	400	(254)

In addition, the Company has reflected exchange gains and losses arising from the translation of the financial statements of self-sustaining foreign operations as a separate component of other comprehensive loss. The significant elements that give rise to these gains and losses are the working capital and film investments of the Company's international film distribution business.

Note 22. Accumulated other comprehensive loss

	2009	2008
Foreign currency translation adjustment	**(11,474)**	(12,192)
Unrealized gain (loss) on available-for-sale investments, net of tax of $24	**142**	(1,297)
Unrealized loss on cash flow hedge, net of tax of $5,177	**(12,675)**	(6,661)
	(24,007)	(20,150)

Note 23. Reconciliation of Canadian GAAP to U.S. GAAP

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with Canadian GAAP. The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with U.S. GAAP:

RECONCILIATION TO U.S. GAAP

	2009	2008	2007
Net income (loss) using Canadian GAAP	**(56,635)**	129,835	107,018
Add (deduct) adjustments for:			
Discount of program and film rights assets and liabilities (i)	**–**	–	(499)
Deferred charges	**–**	–	251
Income tax effect of adjustments	**–**	–	85
Net income (loss) using U.S. GAAP	**(56,635)**	129,835	106,855
Comprehensive income (loss) using Canadian GAAP	**(60,492)**	114,847	106,377
Add (deduct) adjustments for changes in:			
Net adjustments to net income (loss) noted above	**–**	–	(163)
Unrealized gain on investments classified as available-for-sale, net of tax (ii)	**–**	–	129
Unrealized gain on derivative contracts, net of tax (iii)	**–**	–	5,540
Comprehensive income (loss) using U.S. GAAP	**(60,492)**	114,847	111,883
Earnings (loss) per share using U.S. GAAP			
Basic	**$(0.71)**	$1.57	$1.26
Diluted	**$(0.71)**	$1.54	$1.23

SELECTED CONSOLIDATED BALANCE SHEET ITEMS USING U.S. GAAP

	2009		2008	
	Canadian GAAP	**U.S. GAAP**	Canadian GAAP	U.S. GAAP
Broadcast licenses and goodwill (iv)	**1,235,770**	**1,244,055**	1,331,345	1,339,630
Future tax liability	**102,842**	**106,369**	87,699	91,226
Retained earnings	**20,380**	**25,138**	131,594	136,352

The cumulative effect of these adjustments on shareholders' equity is as follows:

	2009	2008
Retained earnings		
Equity in earnings of investees (iv)	**4,758**	4,758

Areas of material difference between Canadian GAAP and U.S. GAAP and their impact on the consolidated financial statements are as follows:

(i) Discount of program and film rights assets and liabilities

On September 1, 2007, the Company recorded decreases to program and film rights and other long-term liabilities to reflect the balances as if the effective interest rate method had always been used to record program and film rights assets and liabilities. This resulted in a net-of-tax transition adjustment of $1,699 to retained earnings on September 1, 2007. Under U.S. GAAP, a transition adjustment of $902 was made on September 1, 2005, with reductions of $473 and $324 to net income in 2006 and 2007, respectively. The Company believes this change is preferable as it results in liabilities reflecting the time value of money and also eliminates a GAAP difference. The new method is an allowable alternative under U.S. GAAP.

(ii) Unrealized gain on investments

Under U.S. GAAP, equity securities having a readily determinable fair value and not classified as trading securities are classified as "available-for-sale securities" and reported at fair value, with unrealized gains and losses included in comprehensive income and reported as a separate component of shareholders' equity, net of related income taxes. Prior to the implementation of the new standards on financial instruments, under Canadian GAAP these investments were carried at cost and written down only when there was evidence that a decline in value that was other-than-temporary had occurred. The Company had determined that the decline in fair value was not other-than-temporary, based on the financial condition of the issuer and the fact that the Company had the intent and ability to retain its investment in the issuer for a period of time sufficient to allow for an anticipated recovery in market value. The Company has considered evidence, such as industry analyst reports, that supported this conclusion.

(iii) Derivative instruments and hedging activities

Under U.S. GAAP, all derivative instruments are to be recorded on the consolidated balance sheets at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through income or deferred in other comprehensive income until the hedged item is recognized in income. Prior to the adoption of the new Canadian financial instruments accounting guidance by the Company in fiscal 2008, this resulted in a GAAP difference.

(iv) Equity in earnings of investees

Under Canadian GAAP, the investments in Nelvana's 20% interest in TELETOON in fiscal 2001 and Western International Communications Ltd. ("WIC") in fiscal 2000 were accounted for using the cost method of accounting until CRTC approval was received for the transactions. When the Company received CRTC approval, the amount in the accounts under the cost method became the basis for the purchase price allocation and equity accounting commenced. Under U.S. GAAP, equity accounting for the investments is used from the date the Company first acquired shares in Nelvana and WIC.

ACCOUNTING FOR UNCERTAIN TAX POSITIONS

The liability for unrecognized tax benefits ("UTBs") related to permanent and temporary tax adjustments, exclusive of interest, was $4,377 as at August 31, 2009 (2008 – $6,404). Of this total, $3,179 of tax benefits would favourably affect the Company's effective tax rate if the benefits were recognized in the consolidated financial statements.

The net change in the liability in fiscal 2008 and 2009 resulted from the following:

UTB balance as at September 1, 2007	18,553
Gross decrease related to tax positions of prior years	(115)
Gross increase related to tax positions of current year	807
Reductions related to the lapse of statute of limitations	(12,841)
UTB balance as at September 1, 2008	6,404
Gross increase related to tax positions of prior years	617
Reductions related to settlements with taxing authorities	(2,644)
UTB balance as at August 31, 2009	**4,377**

The Company recognizes interest expense and penalties related to UTBs within the provision for income tax expense in the consolidated statements of income (loss). The liability related to interest and penalties was $910 as at August 31, 2009 (2008 – $1,189). During the year ended August 31, 2009, the Company recorded a recovery of $279 in respect of interest expense and penalties related to UTBs.

The Company believes it is unlikely that there will be a significant change in the UTB balance in the next 12 months.

The following table summarizes, by major tax jurisdiction, the tax years that remain open to examination by the relevant taxing authorities:

Tax jurisdiction	Years subject to examination
Canada	2005–forward
Ireland	2003–forward
United States	2006–forward

RECENT UNITED STATES ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 157, "Fair Value Measurements". This new standard defines fair value, establishes a framework for measuring fair value under U.S. GAAP and expands disclosures about fair value measurements. This new standard was effective for the Company beginning September 1, 2008, and had no impact on the consolidated financial statements.

The following table presents information related to the Company's financial assets and liabilities measured at fair value on a recurring basis and the level within the FAS 157 hierarchy in which the fair value measurements fall as at August 31, 2009:

	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Cash and cash equivalents	10,922	–	–
Investments and other assets	196	–	–
Assets carried at fair value	11,118	–	–
Accounts payable and accrued liabilities	–	35	–
Other long-term liabilities	–	17,851	–
Liabilities carried at fair value	–	17,886	–

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This statement permits entities the option to measure financial instruments at fair value, thereby achieving an offsetting effect for accounting purposes for certain changes in fair value of certain related assets and liabilities without having to apply hedge accounting. This new standard was effective for the Company beginning September 1, 2008, and had no impact on the consolidated financial statements.

In December 2007, the FASB issued Statement No. 141R, "Business Combinations". The statement requires all business acquisitions to be measured at fair value, the existing definition of a business was expanded, pre-acquisition contingencies are measured at fair value, most acquisition-related costs are recognized as an expense as incurred, as well as other changes. The statement is effective for the Company beginning September 1, 2009. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

In December 2007, the FASB issued Statement No. 160, "Noncontrolling Interests in Financial Statements". The statement will improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing new accounting and reporting standards. The statement is effective for the Company beginning September 1, 2009. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

Note 24. Government financing and assistance

Revenues include nil (2008 – $1,704; 2007 – $1,708) of production financing obtained from government programs. This financing provides a supplement to a production series' Canadian license fees and is not repayable.

As well, revenues include $768 (2008 – $853; 2007 – $804) of government grants relating to the marketing of books in both Canada and international markets. The majority of the grants are repayable if the average profit margin for the three-year period following receipt of the funds equals or is greater than 10%.

Note 25. Commitments, contingencies and guarantees

The Company and its subsidiaries are involved in litigation matters arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

The Company has various long-term operating lease agreements for the use of facilities and equipment in each of the next five years and thereafter as follows:

2010	26,601
2011	24,775
2012	21,452
2013	21,274
2014	21,074
Thereafter	331,139
	446,315

During fiscal 2009, rental expenses recognized in direct cost of sales, general and administrative expenses totaled approximately $14,623 (2008 – $13,556; 2007 – $13,180).

The Company has entered into various agreements for the right to broadcast or distribute certain film and television programs in the future. These agreements, which range in term from one to five years, generally commit the Company to acquire specific films and television programs or certain levels of future productions. The acquisition of these broadcast and distribution rights is contingent on the actual delivery of the productions. Management estimates that these agreements will result in future program and film expenditures of approximately $337,204.

The Company has entered into an agreement with a construction company to manage the tenant fit-out of the Toronto Waterfront facility. The contract for these services will result in expenditures of approximately $44,000 in fiscal 2010.

Generally, it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties, with limited exceptions.

Many of the Company's agreements, specifically those related to acquisitions and dispositions of business assets, included indemnification provisions where the Company may be required to make payments to a vendor or purchaser for breach of fundamental representation and warranty terms in the agreements with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material liabilities. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. As at August 31, 2009, management believed there was only a remote possibility that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for directors and officers of the Company and its subsidiaries.

Corus and a related party have entered into a contra agreement for the exchange of $2,500 in media time annually for a two-year period. The Company's obligation will be settled with a combination of interactive impressions, radio and television spots.

On December 14, 2006, the Federal Court of Canada ruled that the Part II license fees paid by CRTC licensees are an unlawful tax. Corus has paid these fees since the Company's inception in 1999, and in fiscal 2006, the last year that the fees were remitted, the Company remitted approximately $5,000 in Part II license fees to the CRTC. The disputed regulatory fee accrual relates to the April 2008 decision of the Federal Court of Appeal to reverse the December 2006 Federal Court decision. On October 7, 2009, subsequent to the end of the fiscal year, an agreement was reached in respect of these fees (note 28).

Note 26. Related party transactions

The Company has transacted business in the normal course with entities that are subject to common voting control and with entities over which the Company exercises significant influence. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and having normal trade terms.

During the year, the Company received cable service subscriber, programming and advertising fees of $114,863 (2008 – $102,415; 2007 – $104,402), production and distribution revenue of $525 (2008 – $850; 2007 – $3,487) and administrative and other fees of $7,234 (2008 – $6,403; 2007 – $5,006) from related parties. In addition, the Company paid cable and satellite system distribution access fees of $6,047 (2008 – $4,478; 2007 – $4,493) and administrative and other fees of $2,810 (2008 – $2,956; 2007 – $2,604) to related parties. As at August 31, 2009, the Company had $22,971 (2008 – $19,413) receivable from related parties.

The Company provided related parties with interactive impressions, radio and television spots in return for television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Included in other investments (note 4) and share capital (note 11) are loans of $1,060 (2008 – $1,342) made to certain executive officers of the Company for housing or investment purposes. The loans are collateralized by charges on the officers' personal residences and/or by related investment. The loans are non-interest-bearing and are due between December 1, 2011 and October 31, 2022.

Note 27. Employee future benefits

The Company has a defined contribution plan for qualifying full-time employees. Under the plan, the Company contributes 5% of an employee's earnings, not exceeding the limits set by the *Income Tax Act* (Canada). In late fiscal 2009, the Company temporarily reduced the pension contribution to 1% of qualifying employees' earnings. The amount contributed in 2009 related to the defined contribution plan was $4,626 (2008 – $6,195; 2007 – $5,836). The amount contributed is approximately the same as the expense included in the consolidated statements of income (loss).

In fiscal 2008, the Company introduced a non-contributory defined benefit pension plan for certain of its senior executives. Benefits under this plan are based on the employee's highest three-year average rate of pay during their most recent ten years of service, and accrue starting from the date of the implementation of the plan. The Company recorded an expense of $552 in fiscal 2009 in respect of this plan (2008 – $450).

Note 28. Subsequent events

On October 7, 2009, The Honourable James Moore, Minister of Canadian Heritage and Official Languages, announced a settlement between the Government of Canada and members of the broadcasting industry on the Part II license fee issue. The agreement has resulted in the Canadian Association of Broadcasters and other named parties (including the Company) discontinuing their appeal before the Supreme Court of Canada challenging the validity of the fees that had been scheduled to be heard on October 19, 2009. The settlement agreement includes waiving Part II license fees that were not collected due to the ongoing legal dispute for the broadcast years 2007, 2008 and 2009. The Company will reverse its August 31, 2009 accrual of $16,194 in the first quarter of fiscal 2010. Under this settlement, the Government of Canada is also recommending that the CRTC develop a new Part II fee regime, which would be effective commencing September 1, 2009.

LIST OF ASSETS

Television

Specialty Networks

CMT Canada
Cosmopolitan TV
Discovery Kids Canada
SCREAM
Telelatino
TELETOON
TELETOON Retro
Treehouse
VIVA
W Network
YTV
Food Network Canada*

Premium Networks

Movie Central (including HBO Canada)
Encore Avenue

Other

Corus Custom Networks
CHEX TV – Durham
CHEX Television – Peterborough
CKWS TV – Kingston

Radio

British Columbia

Vancouver
AM730 All Traffic All The Time (CHMJ) – AM
CKNW AM 980 (CKNW) – AM
Classic Rock 101 (CFMI) – FM
99.3 The FOX (CFOX) – FM

Alberta

Calgary
AM 770 (CHQR) – AM
Q107 (CFGQ) – FM
Country 105 (CKRY) – FM

Edmonton
630 CHED (CHED) – AM
iNews880 (CHQT) – AM
CISN COUNTRY 103.9 (CISN) – FM
92.5 JOE FM (CKNG) – FM

Manitoba

Winnipeg
CJOB 68 (CJOB) – AM
99.1 Groove FM (CJGV) – FM
Power 97 (CJKR) – FM

Ontario

Barrie
FM 93 (CHAY) – FM
B101 (CIQB) – FM

Cambridge
107.5 DAVE FM (CJDV) – FM

Collingwood
95.1 The Peak FM (CKCB) – FM

Cornwall
AM 1220 (CJUL) – AM
Variety 104.5 (CFLG) – FM
Rock 101.9 (CJSS) – FM

Guelph
CJOY (CJOY) – AM
Magic 106.1 (CIMJ) – FM

Hamilton
AM 900 CHML (CHML) – AM
The New Country 95.3 (CING) – FM
Y108 (CJXY) – FM

Kingston
Lite 104.3 FM (CFFX) – FM
FM96 (CFMK) – FM

Kitchener
91.5 The Beat (CKBT) – FM

London
AM980 (CFPL) – AM
The New 1031 Fresh FM (CFHK) – FM
FM96 (CFPL) – FM

Peterborough
100.5 KRUZ FM (CKRU) – FM
THE WOLF 101.5 (CKWF) – FM

Toronto
AM640 Toronto Radio (CFMJ) – AM
102.1 the Edge (CFNY) – FM
Q107 (CILQ) – FM

Woodstock
Greatest Hits 1039 FM (CKDK) – FM

Quebec

Gatineau
104,7 FM (CJRC) – FM

Montreal
Info690 (CINF) – AM
AM940 Montreal's Greatest Hits (CINW) – AM
CKAC Sports (CKAC) – AM
92.5 The Q (CFQR) – FM
98,5 FM (CHMP) – FM
96,9 CKOI (CKOI) – FM

Quebec City
102,1 FM (CFEL) – FM
102,9 FM (CFOM) – FM

Saguenay
98,3 FM (CKRS) – FM

Saint-Jérôme
CIME 103,9 (CIME) – FM

Sherbrooke
107,7 FM (CHLT) – FM
104,5 FM (CKOI) – FM

Trois-Rivières
106,9 FM (CHLN) – FM

Content

Nelvana
Kids Can Press

Canadian broadcast, branded animation and publishing assets as of August 31, 2009.

*Assets in which Corus Entertainment has less than a 50% equity position.

OFFICERS

Hal Blackadar
Oakville, Ontario
Vice President, Human Resources,
Corus Entertainment Inc.

John M. Cassaday
Toronto, Ontario
President and Chief Executive Officer,
Corus Entertainment Inc.

Mario Cecchini
Montreal, Quebec
Vice President, Quebec Radio,
Corus Entertainment Inc.

Scott Dyer
Toronto, Ontario
Chief Technology Officer,
Corus Entertainment Inc.

Gary Maavara
Toronto, Ontario
Vice President and General Counsel,
Corus Entertainment Inc.

Kathleen McNair
Toronto, Ontario
Vice President, Corporate Development
and Strategic Planning,
Corus Entertainment Inc.

Doug Murphy
Toronto, Ontario
Executive Vice President and
General Manager, Corus Kids,
President, Nelvana,
Corus Entertainment Inc.

Chris Pandoff
Toronto, Ontario
Vice President, Ontario Radio,
Corus Entertainment Inc.

Thomas C. Peddie FCA
Toronto, Ontario
Senior Vice President and Chief Financial Officer,
Corus Entertainment Inc.

John R. (Jack) Perraton
Calgary, Alberta
Corporate Secretary, Corus Entertainment Inc.
Senior Partner, Perraton Law

Paul W. Robertson
Toronto, Ontario
President, Television,
Corus Entertainment Inc.

Susan Ross
Toronto, Ontario
Executive Vice President and
General Manager,
Specialty and Pay Television,
Corus Entertainment Inc.

Doug Rutherford
Edmonton, Alberta
Vice President, Western Radio,
Corus Entertainment Inc.

Heather A. Shaw
Calgary, Alberta
Executive Chair,
Corus Entertainment Inc.

David Spence CA
Markham, Ontario
Vice President, Controller,
Corus Entertainment Inc.

DIRECTORS

Fernand Bélisle
Montreal, Quebec
Mr. Bélisle is a consultant to Canadian broadcast companies. Mr. Bélisle served as Vice Chair (Broadcasting) of the Canadian Radio-television and Telecommunications Commission (CRTC). This followed a series of senior positions at the CRTC and the Department of Communications which is now known as the Department of Canadian Heritage. Mr. Bélisle's business career has included positions with Télémedia Communications Ltd. and in audit and tax specialist roles at Coopers & Lybrand. Mr. Bélisle is a past Director of Corus Entertainment Inc.

Member of the Audit Committee

John M. Cassaday
Toronto, Ontario
Mr. Cassaday is President and CEO of Corus Entertainment Inc., a position which he has held since the creation of Corus in September 1999. Prior to Corus, Mr. Cassaday was President, Shaw Media. He is a Director of Fort Reliance Ltd., Manulife Financial and Sysco Corporation.

Member of the Executive Committee

Dennis Erker
Edmonton, Alberta
Mr. Erker is a Partner in the Fairley Erker Advisory Group, a financial and estate planning company. Mr. Erker is the Chairman of Canadian Hydro Developers Inc., a Director of First Canadian Insurance Company and Millennium Insurance Company and serves as a Director of several charitable organizations. He has served as Chair of the Board for the Edmonton Eskimos, Governor of the CFL, and Director of the Workers' Compensation Board – Alberta, The Citadel Theatre and the Alberta Securities Commission. Mr. Erker is a graduate of the Institute of Corporate Directors.

Member of the Human Resources Committee

Carolyn Hursh
Calgary, Alberta
Ms. Hursh is the Chairman of James Richardson & Sons, Limited (JRSL), a family owned and managed conglomerate established in 1857, whose subsidiaries include Richardson International, Richardson Pioneer, Richardson Oilseed Processing, Richardson Nutrition, Tundra Oil & Gas Limited, Lombard Realty Limited, Richardson GMP and Richardson Capital Limited. Ms. Hursh chairs the JRSL Corporate Governance Committee and is a member of the Audit and Compensation Committees. Ms. Hursh is also Chair of the Max Bell Foundation and is a member of the Advisory Committee of the Family Business Management Program at the University of Calgary.

Chair of the Corporate Governance Committee and member of the Executive Committee

Wendy A. Leaney
Toronto, Ontario
Ms. Leaney is President of Wyoming Associates Ltd., a private investment and consulting firm based in Toronto. Prior to that, Ms. Leaney was Managing Director and Co-Head Global Communications Finance for TD Securities Inc. Ms. Leaney serves on the Board of Canadian Western Bank. Ms. Leaney is a graduate of the Canadian Securities Course and is a Fellow of the Institute of Canadian Bankers.

Member of the Audit Committee

Susan Mey
Toronto, Ontario
Ms. Mey is President and Chief Executive Officer of The Green Cricket Inc., an online global retailer of environmentally sustainable products and services, based in Toronto. Ms. Mey was President and Chair of the Board of Kodak Canada Inc. from 2005 to 2007. Prior to joining Kodak, Ms. Mey was General Counsel for The T. Eaton Company Ltd. Prior to Eaton's, Ms. Mey was the founder and manager of a Hong Kong-based software company specializing in radiology imaging and patient information solutions for the healthcare sector. Ms. Mey was called to the Ontario bar in 1989, and practiced law in a large Toronto firm prior to moving to Asia in 1991. She is qualified to practice law in Canada and Hong Kong and is a graduate of the Institute of Corporate Directors. Ms. Mey is a member of the Independent Review Committee of Fidelity Investments Canada ULC.

Member of the Human Resources Committee

Ronald D. Rogers
Calgary, Alberta
Mr. Rogers retired as Senior Vice-President and Chief Financial Officer of Shaw Communications Inc. in August 2004. Mr. Rogers serves as a Trustee for Transforce Income Fund and Parkland Income Fund. Mr. Rogers is a chartered accountant and a member of the Alberta Institute of Chartered Accountants. Mr. Rogers has an extensive background in business and finance including positions as President of Greb Footwear and CFO of Moore Corporation.

Chair of the Audit Committee and member of the Executive Committee

Catherine Roozen
Edmonton, Alberta
Ms. Roozen is Director and Corporate Secretary of Cathton Holdings Ltd. and the Allard Foundation, positions she has held since 1981. Ms. Roozen also serves as a Director for Melcor Developments Ltd. Ms. Roozen serves on the Alberta Health Services Board as well as on a number of charitable boards. Ms. Roozen is a graduate of the Canadian Securities Course.

Member of the Audit Committee

Terrance Royer
Calgary, Alberta
Mr. Royer is Chairman of Royco Hotels Ltd., a hotel management company. Mr. Royer retired as Executive Vice-Chairman of the Calgary-based Royal Host REIT in December 2005. He is also retired President, CEO and founder of Royal Host Corp., a hotel and resort ownership, franchising and management company. Mr. Royer served on the Board of Royal Host REIT from January 1998 to June 2006. Mr. Royer is Chairman Emeritus of the University of Lethbridge (Chairman from January 2001 to July 2006) and Chairman of the Alberta "Access to the Future Fund" for post-secondary institutions in Alberta.

Chair of the Human Resources Committee and member of the Executive Committee and the Corporate Governance Committee

Serves as the Independent Lead Director for Corus Entertainment Inc.

Heather A. Shaw
Calgary, Alberta
Ms. Shaw is the Executive Chair of Corus Entertainment Inc., and has held the position since its inception in September 1999. Ms. Shaw is a Director for Shawcor Ltd., a member of the Richard Ivey School of Business Advisory Board and past Director of Shaw Communications Inc. Ms. Shaw also sits on a number of charitable boards. Ms. Shaw holds a Bachelor of Commerce degree from the University of Alberta and an MBA from the Richard Ivey School of Business at the University of Western Ontario.

Chair of the Board of Directors and the Executive Committee

Julie M. Shaw
Calgary, Alberta
Ms. Shaw is the Vice President, Facilities, Design and Management, Shaw Communications Inc. ("Shaw"), a diversified communications company whose core business is providing cable television services to approximately 2.1 million homes. Ms. Shaw has been employed at Shaw since 1986. Ms. Shaw is Chief Executive Officer of the Shaw Family Group, a conglomerate of companies and investments, as well as a Director for the McKenzie Meadows Golf Club and Radium Resort. Ms. Shaw is also Secretary of the Board for the Shaw Foundation, a philanthropic organization founded by Francis E. Shaw in 1970. Ms. Shaw is a graduate of the Institute of Corporate Directors. Ms. Shaw holds a Bachelor of Design Science degree from Arizona State University.

Vice Chair of the Board of Directors and member of the Corporate Governance Committee

CORUS ENTERTAINMENT INC.

Stock listing
TSX: CJR.B
NYSE: CJR

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Telephone: 403.444.4244
Facsimile: 403.444.4240

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Facsimile: 416.642.3779

Internet
Corus Entertainment's Annual Report, Annual Information Form, quarterly reports, press releases and other relevant investor relations information are available in the "Investor Relations" section of the Corus Entertainment website (www.corusent.com).

Auditors
Ernst & Young LLP

Primary bankers
The Toronto-Dominion Bank

Transfer agent
CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
Telephone: 1.800.387.0825
Facsimile: 416.643.5501
www.cibcmellon.com

BNY Mellon Shareowner Services
480 Washington Boulevard – 27th Floor
Jersey City, New Jersey 07310
Telephone: 1.800.387.0825
Facsimile: 416.643.5501
www.cibcmellon.com

Corporate governance
In the U.S., Corus Entertainment is required to disclose any significant differences between its corporate governance practices and those applicable to domestic U.S. issuers under Section 303A of the NYSE corporate governance rules. Corus Entertainment is in full compliance with these standards in all significant respects, except as summarized on the Company's website (www.corusent.com) in the "Investor Relations" section. In addition, Corus Entertainment is in compliance with the requirements of the *Sarbanes-Oxley Act* of 2002 and related U.S. requirements. Further information concerning Corus Entertainment's Corporate Governance Practices is contained in the Company's Management Information Circular and is also available by contacting the Company or by visiting the Company's website.

Further information
Financial analysts, portfolio managers, other investors and interested parties may contact the Company at 416.642.3770 or visit the Company's website (www.corusent.com).

To receive additional copies of Corus Entertainment's Annual Report, please fax your request to the Vice President of Communications at 416.642.3779.

Vous pouvez obtenir la version française du present rapport en communiquant par télècopieur avec la vice-présidente des Communications, au 416.642.3779.

Annual meeting
January 13, 2010
2 p.m. MT/4 p.m. ET
Corus Entertainment – Corporate Office
630 3rd Avenue S.W.
Calgary, Alberta T2P 4L4

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CKNW NEWS TALK SPORTS AM980
Q107 Classic Rock
London's Best Rock FM96
YTV
TELETOON
KIDS CAN PRESS
102.1 the edge
tln telelatino
CMT
104.7 fm CIRC SouvenirsBarantis.ca
AM 630 CHED
NELVANA A CORUS ENTERTAINMENT COMPANY
COSMOPOLITAN TV
MANITOBA'S INFORMATION CJOB 68 SUPERSTATION
The Movie House
98,5 fm LA PUISSANCE DES HITS
nickelodeon
VIVA
HBO CANADA
CKOI .com 96,9 FM
91.5 BOOM
DUSK
MOVIE CENTRAL
iNews 880 AM
TELETOON RETRO
Mixed Sources
Product group from well-managed forests and other controlled sources
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FSC

We have a strong set of Core Values and believe that honouring them drives our success.

ACCOUNTABILITY
We do what we say we'll do – no excuses

INITIATIVE
We empower employees to make great things happen

INNOVATION
We are committed to creative thinking that leads to breakthrough ideas and superior results

KNOWLEDGE
We believe in continuous learning and the sharing of our insights and ideas

TEAMWORK
We believe the greatest value is realized when we work together

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